

REBUTTAL TESTIMONY

OF

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ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS UNIVERSAL SERVICE FUND

**Docket Nos. 00-0233/00-0335 (Consolidated)
Phase II**

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1 WITNESS IDENTIFICATION

2 Q. Please state your name and business address.

3 A. My name is Bill L. Voss. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 Q. By whom are you employed and in what capacity?

6 A. I am an Accounting Supervisor in the Accounting Department of the Financial
7 Analysis Division of the Illinois Commerce Commission.

8 Q. Please describe your background.

9 A. I joined the Staff of the Illinois Commerce Commission ("Staff") in March 1989. I
10 am a Certified Public Accountant licensed to practice in Illinois. My prior
11 accounting experience includes three years as an accounting supervisor for a
12 telephone utility and five years as the corporate controller of a small business. I
13 hold a Master of Accounting Science degree from the University of Illinois at
14 Urbana-Champaign.

15 Q. What is the function of the Accounting Department of the Illinois Commerce
16 Commission?

17 A. The Department's function is to monitor the financial condition of public utilities
18 as part of the Commission's responsibilities under Article IV of the Public Utilities
19 Act and to provide accounting expertise on matters before the Commission.

20 Q. Have you previously testified before this Commission?

21 A. Yes, I have.

22 Q. What are your responsibilities in this proceeding?

23 A. The Manager of the Accounting Department of the Illinois Commerce
24 Commission assigned me to this proceeding. My responsibilities include
25 reviewing the testimony and documents in this proceeding to determine the
26 accuracy and appropriateness of the funding requests of the telecommunications
27 entities (singularly "Company" and collectively "Companies") for support from the
28 Illinois Universal Service Fund ("IUSF").

29 DESCRIPTION OF TESTIMONY

30 Q. What is the purpose of your Rebuttal Testimony?

31 A. The purpose of my testimony is to present the Staff-calculated funding
32 requirements for IUSF support for 19 Companies and to present a discussion of

33 a Federal funding difference common to all 39 Companies requesting IUSF
34 support.

35 Q. Are you sponsoring any schedules as part of Staff Exhibit 7.0?

36 A. Yes. I am sponsoring the following schedules:

37 Schedule 7.01 Adams Telephone Cooperative
38 Staff Calculated Funding Requirement

39 Schedule 7.02 Alhambra-Grant Fork Telephone Company
40 Staff Calculated Funding Requirement

41 Schedule 7.03 Cambridge Telephone Company
42 Staff Calculated Funding Requirement

43 Schedule 7.04 Cass Telephone Company
44 Staff Calculated Funding Requirement

45 Schedule 7.05 C-R Telephone Company
46 Staff Calculated Funding Requirement

47 Schedule 7.06 Crossville Telephone Company
48 Staff Calculated Funding Requirement

49 Schedule 7.07 Egyptian Telephone Cooperative
50 Staff Calculated Funding Requirement

51 Schedule 7.08 El Paso Telephone Company
52 Staff Calculated Funding Requirement

53 Schedule 7.09 Frontier Communications of DePue, Inc.
54 Staff Calculated Funding Requirement

55 Schedule 7.10 Frontier Communications of Illinois, Inc.
56 Staff Calculated Funding Requirement

57	Schedule 7.11	Frontier Communications of Lakeside, Inc.
58		Staff Calculated Funding Requirement
59	Schedule 7.12	Frontier Communications-Midland, Inc.
60		Staff Calculated Funding Requirement
61	Schedule 7.13	Frontier Communications-Prairie, Inc.
62		Staff Calculated Funding Requirement
63	Schedule 7.14	Frontier Communications-Schuyler, Inc.
64		Staff Calculated Funding Requirement
65	Schedule 7.15	Flat Rock Telephone Co-Op
66		Staff Calculated Funding Requirement
67	Schedule 7.16	Glasford Telephone Company
68		Staff Calculated Funding Requirement
69	Schedule 7.17	Grafton Telephone Company
70		Staff Calculated Funding Requirement
71	Schedule 7.18	Gridley Telephone Company
72		Staff Calculated Funding Requirement
73	Schedule 7.19	Harrisonville Telephone Company
74		Staff Calculated Funding Requirement
75	Schedule 7.20	Comparison of Federal Total High Cost Fund Support
76	Schedule 7.21	Frontier Companies
77		Calculation of Depreciation Expense Adjustment

78 Q. Please describe the organization of your Rebuttal Testimony.

79 A. First, I present, in narrative testimony, a discussion of a Federal funding
80 difference for all 39 Companies seeking IUSF support and then a discussion of

81 the Staff Calculated Funding Requirements and adjustments for 19 Companies.

82 My schedules follow the narrative testimony.

83 FEDERAL TOTAL HIGH COST FUND SUPPORT

84 Q. Please describe the Federal funding difference for the 39 Companies.

85 A. All of the 39 Companies requesting IUSF support receive Federal Total High
86 Cost Fund support ("FTHCF support"). The amount of this support varies from
87 year to year. I have prepared an analysis of FTHCF support for the years 2000
88 and 2001.

89 Q. What elements of Federal support are included in the FTHCF support?

90 A. FTHCF support includes Federal support for High Cost Loop, Interstate Access,
91 Long Term Support, and Local Switching Support.

92 Q. Have any of the Companies proposed similar adjustments for changing Federal
93 support levels between the years 2000 and 2001?

94 A. Yes. Of the 19 Companies that I reviewed, five Companies proposed
95 adjustments in their Illinois Universal Service Funding Calculations for changes
96 in the amount of Federal High Cost Loop funding between the years 2000 and
97 2001. These five Companies are C-R Telephone Company, Egyptian Telephone

Cooperative, El Paso Telephone Company, Gridley Telephone Company, and
Harrisonville Telephone Company.

Q. What is the source of your analysis and calculation of the funding differences for
FTHCF support?

A. In response to Staff Data Request SDR-Egyptian-004, Egyptian Telephone
Cooperative provided a description of its Federal High Cost Loop funding
adjustment and source documents, entitled "UNIVERSAL SERVICE FUNDING,
High Cost Fund Support by Study Area," prepared by the Universal Service
Administrative Company ("USAC"). Information in these USAC source
documents included the amounts of FTHCF support for all 39 Companies
seeking IUSF support for six calendar quarters:

- First Quarter of 2000 ("2000-1Q"),
- Second Quarter of 2000 ("2000-2Q"),
- Third Quarter of 2000 ("2000-3Q"),
- Fourth Quarter of 2000 ("2000-4Q"),
- First Quarter of 2001 ("2001-1Q"), and
- Second Quarter of 2001 ("2001-2Q").

Q. What are the results of your analysis of the USAC source documents?

116 A. My analysis shows that the 39 Companies requesting IUSF support received a
117 total of \$19,451,658 in FTHCF support in 2000 and, based upon an
118 annualization of FTHCF support for 2001-1Q and 2001-2Q, will receive
119 \$20,890,788 in 2001. In total, the 39 Companies requesting IUSF support will
120 receive \$1,439,130 in additional FTHCF support in 2001.

121 Q. Describe the calculation of the differences in FTHCF support.

122 A. The differences for each of the 39 Companies are calculated on ICC Staff
123 Exhibit 7.0 Schedule 7.20, entitled "Comparison of Federal Total High Cost Fund
124 Support." Schedule 7.20 is a two-page schedule.

125 Page 2 of Schedule 7.20 presents the aggregation of 2000 Total FTHCF support
126 and the calculation of 2001 Annualized FTHCF support. Columns b, c, d, and e
127 show the quarterly amounts of FTHCF support for each of the 39 Companies
128 listed in column a; these quarterly amounts are taken from the USAC source
129 documents. Column f presents the 2000 Total of the quarterly amounts in
130 columns b, c, d, and e. Columns g and h show the quarterly amounts of FTHCF
131 support for the first and second quarters of 2001 from the USAC source
132 documents. Column i presents the 6-Month Total of the quarterly amounts in
133 columns g and h. Column j presents the calculated 2001 Annualized amounts of
134 FTHCF support; the amounts in column j are the result of multiplying the 6-Month
135 Total in column i by 2.

Page 1 calculates the Funding Difference for each of the 39 Companies. Column B shows the schedule numbers in ICC Staff Exhibit 6.0 and ICC Staff Exhibit 7.0 for each of the 39 Companies listed in column a. Columns c and d presents the 2000 Total amounts and the 2001 Annualized amounts from page 2, columns f and j, respectively. Column e presents the funding differences between the years 2000 and 2001. Each Funding Difference in column e is the result of subtracting the 2000 Total amount in column c from the 2001 Annualized amount in column d. A positive amount in column e indicates an amount of increased FTHCF support in 2001.

Q. Should the Illinois Universal Service Funding Calculations for each of the 39 Companies be adjusted for the funding differences in FTHCF support between the years 2000 and 2001?

A. Yes. When material, an adjustment should be included in the Illinois Universal Service Funding Calculations presented on ICC Staff Exhibit 6.0, Schedules 6.01 through 6.20, and ICC Staff Exhibit 7.0, Schedules 7.01 through 7.19.

Q. Should the Funding Difference resulting from the change in FTHCF support between the years 2000 and 2001 offset by any other revenue change for each of the 39 Companies?

A. No. Based upon my analysis, no additional adjustment to the Illinois Universal Service Funding Calculation is required. Of the 19 Companies that I reviewed,

156 the five Companies proposing adjustments for Federal High Cost Loop funding
157 adjusted their levels of Federal High Cost Loop funding and did not propose any
158 compensating adjustments.

159 ILLINOIS UNIVERSAL SERVICE FUNDING CALCULATION

160 Q. Have you reviewed the funding requirements of the 19 Companies for which you
161 are responsible?

162 A. Yes.

163 Q. What is the purpose of Schedules 7.01 through 7.19 that you have previously
164 identified?

165 A. The purpose of these schedules is to present the Staff Calculated Funding
166 Requirement for each of the 19 Companies identified on the schedules. Each of
167 these schedules consists of two pages.

168 Q. What is the purpose of page 1 of each schedule?

169 A. Page 1 calculates the amount of IUSF support required to provide for total cost
170 plus a fair return on investment. The return on investment is calculated using the
171 After-Tax Cost of Capital proposed by Staff witness Pregozen in Staff Exhibit
172 5.0. The source of the amounts in column b is the final column on page 1 of the

Illinois Universal Service Funding Calculation schedule presented by each of the 19 Companies in its direct testimony. Column c identifies any Staff Adjustment presented on page 2 of each schedule. Column d calculates Staff Adjusted Amount of proposed IUSF support based upon Staff adjustments. The Staff ROR Deficiency is presented in column d at line 28.

Q. What is the purpose of page 2 of each schedule?

A. Page 2 calculates and identifies the Staff adjustments presented on page 1 in column c.

ADAMS TELEPHONE COOPERATIVE

Q. Are you proposing any adjustments for Adams Telephone Cooperative?

A. Yes. I am proposing an adjustment for the funding difference in FTHCF support between the years 2000 and 2001. Earlier in this testimony, I discuss the calculation of this funding difference. This adjustment is presented on page 2 of Schedule 7.01 and included at column c, line 14, on page 1 of Schedule 7.01.

ALHAMBRA-GRANTFORK TELEPHONE COMPANY

Q. Are you proposing any adjustments for Alhambra-Grantfork Telephone Company?

190 A. Yes. I am proposing two adjustments.

191 Q. What is the first adjustment?

192 A. My first adjustment removes an expense amount attributable to non-regulated
193 activities. Alhambra-Grantfork Telephone Company ("A-G") recorded the
194 revenues from these activities in non-regulated revenue accounts but included
195 the expenses associated with these non-regulated activities in a regulated
196 expense account. In the response to Staff Data Request SDR-Alhambra-
197 Grantfork-003, A-G stated:

198 The amounts included in account 7991.0000 "Miscellaneous-Non-
199 Regulated" includes [sic] revenue from the sale of non-regulated
200 items such as key system and residential phone sales. The
201 amounts included in account 7991.0100 "Leased Equipment"
202 includes [sic] the revenues from leases of items such as residential
203 phones or leases of key systems. The amounts included in
204 account 6311.000[0] "Station Apparatus Expense" includes [sic]
205 expenses associated with the revenue in account 7991.000[0] and
206 7991.0100.

207 A-G's Annual Report to the Commission, ICC Form 23A, for the year 2000
208 shows an amount of \$15,693 in Account 6311; the amount in Account 6311 is
209 included in A-G's Total Operating Expenses of \$892,204. My adjustment
210 removes the expense amount attributable to non-regulated activities from
211 regulated expenses. This adjustment is presented on page 2 of Schedule 7.02
212 and included at column c, lines 7 and 17, on page 1 of Schedule 7.02.

213 Q. What is the second adjustment?

214 A. My second adjustment is an adjustment for the funding difference in FTHCF
215 support between the years 2000 and 2001. Earlier in this testimony, I discuss
216 the calculation of this funding difference. This adjustment is presented on page
217 2 of Schedule 7.02 and included at column c, line 14, on page 1 of Schedule
218 7.02.

219 CAMBRIDGE TELEPHONE COMPANY

220 Q. Are you proposing any adjustments for Cambridge Telephone Company?

221 A. Yes. I am proposing an adjustment for the funding difference in FTHCF support
222 between the years 2000 and 2001. Earlier in this testimony, I discuss the
223 calculation of this funding difference. This adjustment is presented on page 2 of
224 Schedule 7.03 and included at column c, line 14, on page 1 of Schedule 7.03.

225 CASS TELEPHONE COMPANY

226 Q. Are you proposing any adjustments for Cass Telephone Company?

227 A. Yes. I am proposing an adjustment for the funding difference in FTHCF support
228 between the years 2000 and 2001. Earlier in this testimony, I discuss the
229 calculation of this funding difference. This adjustment is presented on page 2 of
230 Schedule 7.04 and included at column c, line 14, on page 1 of Schedule 7.04.

231 C-R TELEPHONE COMPANY

232 Q. Are you proposing any adjustments for C-R Telephone Company?

233 A. Yes. I am proposing two adjustments.

234 Q. What is the first adjustment?

235 A. My first adjustment removes an amount that C-R Telephone Company ("C-R")
236 included in rate base pertaining to intangibles. In the response to Staff Data
237 Request SDR-C-R-004, C-R stated: "The intangibles were incorrectly left in the
238 rate base" C-R provided a revised Illinois Universal Service Funding
239 Calculation that reduced its amount of Net Regulated Plant by \$268,750. This
240 adjustment is presented on page 2 of Schedule 7.05 and included at column c,
241 line 1, on page 1 of Schedule 7.05.

242 Q. What is the second adjustment?

243 A. My second adjustment is an adjustment for the funding difference in FTHCF
244 support between the years 2000 and 2001. As I mention earlier in this
245 testimony, C-R included an adjustment for change in level of Federal support for
246 the High Cost Loop Fund. C-R increased its revenues by \$21,915. However,
247 the increase in Federal High Cost Loop Fund support was partially offset by a
248 decrease in Federal Local Switching Support funding. The \$8,103 Funding

Difference calculated on Schedule 7.20 calculates the total change in Federal support for the elements of the FTHCF support: High Cost Loop, Interstate Access, Long Term Support, and Local Switching Support. The \$8,103 increase in FTHCF support is shown on line 4 of Schedule 7.05, page 2. This \$8,103 increase must be offset by C-R's increase adjustment of \$21, 915 to result in a net decrease in C-R's adjusted revenues of \$13,812. This adjustment is presented on line 6 of page 2 of Schedule 7.05 and included at column c, line 14, on page 1 of Schedule 7.05.

CROSSVILLE TELEPHONE COMPANY

Q. Are you proposing any adjustments for Crossville Telephone Company?

A. Yes. I am proposing an adjustment for the funding difference in FTHCF support between the years 2000 and 2001. Earlier in this testimony, I discuss the calculation of this funding difference. This adjustment is presented on page 2 of Schedule 7.06 and included at column c, line 14, on page 1 of Schedule 7.06.

EGYPTIAN TELEPHONE COOPERATIVE

Q. Are you proposing any adjustments for Egyptian Telephone Cooperative?

A. Yes. I am proposing an adjustment for the funding difference in FTHCF support between the years 2000 and 2001. As I mention earlier in this testimony, Egyptian Telephone Cooperative ("Egyptian") included an adjustment for a change in the level of Federal support for the High Cost Loop Fund. Egyptian decreased its revenues by \$115,746. However, there was also a decrease in Federal Local Switching Support funding. The \$127,326 Funding Difference calculated on Schedule 7.20 calculates the total change in Federal support for the elements of the FTHCF support: High Cost Loop, Interstate Access, Long Term Support, and Local Switching Support. The \$127,326 decrease in FTHCF support is shown on line 4 of Schedule 7.07, page 2. This \$127,326 decrease must be offset by Egyptian's decrease adjustment of \$115,746 to result in a net decrease in Egyptian's adjusted revenues of \$11,580. This adjustment is presented on line 6 of page 2 of Schedule 7.07 and included at column c, line 14, on page 1 of Schedule 7.07.

EL PASO TELEPHONE COMPANY

Q. Are you proposing any adjustments for El Paso Telephone Company?

A. Yes. I am proposing two adjustments.

Q. What is the first adjustment?

283 A. My first adjustment removes an amount that El Paso Telephone Company ("El
284 Paso") included in rate base pertaining to assets supporting non-regulated
285 activities. In the response to Staff Data Request SDR-El Paso-003, El Paso
286 advised that assets supporting non-regulated activities were included in the rate
287 base submitted for the Illinois Universal Service Funding Calculation on El Paso
288 Telephone Company Exhibit 1.0, Schedule 1.01, page 1. El Paso stated: "The
289 net balance of \$70,902 was incorrectly included in the rate base" El Paso
290 provided a revised Illinois Universal Service Funding Calculation that reduced its
291 amount of Net Regulated Plant by \$70,902. This adjustment is presented on
292 page 2 of Schedule 7.08 and included at column c, line 1, on page 1 of Schedule
293 7.08.

294 Q. What is the second adjustment?

295 A. My second adjustment is an adjustment for the funding difference in FTHCF
296 support between the years 2000 and 2001. As I mention earlier in this
297 testimony, El Paso included an adjustment for change in level of Federal support
298 for the High Cost Loop Fund. El Paso decreased its revenues by \$59,997.
299 However, the decrease in Federal High Cost Loop Fund support was partially
300 offset by an increase in Federal Local Switching Support funding. The \$36,225
301 Funding Difference calculated on Schedule 7.20 calculates the total change in
302 Federal support for the elements of the FTHCF support: High Cost Loop,
303 Interstate Access, Long Term Support, and Local Switching Support. The

\$36,225 decrease in FTHCF support is shown on line 4 of Schedule 7.08, page 2. This \$36,225 decrease must be offset by El Paso's decrease adjustment of \$59,997 to result in a net decrease in El Paso's adjusted revenues of \$23,772. This adjustment is presented on line 6 of page 2 of Schedule 7.08 and included at column c, line 14, on page 1 of Schedule 7.08.

FRONTIER COMPANIES

Q. What are the Frontier Companies?

A. The Frontier Companies are, collectively, the following six telecommunications corporations requesting IUSF support:

- Frontier Communications of DePue, Inc. ("FC of DePue"),
- Frontier Communications of Illinois, Inc. ("FC of Illinois"),
- Frontier Communications of Lakeside, Inc. ("FC of Lakeside"),
- Frontier Communications-Midland, Inc. ("FC-Midland"),
- Frontier Communications-Prairie, Inc. ("FC-Prairie"), and
- Frontier Communications-Schuyler, Inc. ("FC-Schuyler").

I will discuss my adjustments to the six Frontier Companies collectively. The Staff Calculated Funding Requirements for each of the six above-listed Frontier Companies are presented on Schedules 7.09 through 7.14.

322 Q. Have you reviewed the Frontier Companies proposed adjustments to include a
323 Commission-ordered cash balance in rate base?

324 A. Yes. The Frontier Companies discussed these proposed adjustments on page
325 10 of Frontier Companies Exhibit 1.0 and presented the calculations of these
326 proposed adjustments on Schedule 1.09 of Frontier Companies Exhibit 1.0.

327 Q. Do you agree with the Frontier Companies proposed adjustments to include a
328 Commission-ordered cash balance in rate base?

329 A. No. The Frontier Companies wish to earn a return on Commission-ordered cash
330 balance requirements attributable to the 2001 Capital Budget and the 2002
331 Extraordinary Expenditures. The Frontier Companies cited the Order entered in
332 Docket No. 99-0237 on September 28, 1999, and the Order entered in Docket
333 No. 00-0552 on December 12, 2000, as justification for including these cash
334 balance requirements in rate base. In the response to Staff Data Request SDR-
335 Frontier-008, the Frontier Companies stated: "Most funds for the cash balance
336 requirement are currently kept in account 1401-998-142 for cash management
337 purposes." The Order in Docket No 90-0271, entered on September 11, 1990,
338 approved the Cash Management Agreement currently used by the six Frontier
339 Companies. The rate of return on cash deposits is described on page 2 of the
340 Cash Management Agreement:

3. Rate of return on Cash Deposits. All cash deposits or the Company with Rochester shall earn a return calculated on a day of recorded deposit to day of return basis at a rate equal to Rochester's Internal Corporate Rate in effect, from time to time, throughout the period of deposit. Rochester's Internal Corporate Rate is calculated on a monthly basis and is equal to the composite rate of return on its investments in commercial paper or other instruments of similar risk and liquidity if Rochester is investing funds. If Rochester is borrowing, it is equal to the rate which Rochester is paying on its commercial paper.

Thus, the six Frontier Companies are earning a return on funds deposited with affiliated companies. If the Frontier Companies were to earn a return on Commission-ordered cash balance requirements attributable to the 2001 Capital Budget and the 2002 Extraordinary Expenditures, the six Frontier Companies would be earning two returns on the same funds: one return by including the Commission-ordered cash balance requirements in rate base and the second return through the Cash Management Agreement. Additionally, the six Frontier Companies will also be earning a return on the investments attributable to the 2001 Capital Budget and the 2002 Extraordinary Expenditures through the inclusion of those plant investments in rate base. I have removed the Commission-ordered cash balance requirements from rate base through the adjustments presented on lines 1 through 4 on page 2 of Schedules 7.09 through 7.14.

Q. Did you review the six Frontier Companies' adjustments for directory revenue and directory expense?

367 A. Yes. The Frontier Companies discussed these proposed adjustments on pages
368 14 and 15 of Frontier Companies Exhibit 1.0 and presented the calculations of
369 these proposed adjustments on page 1 of Schedule 1.10 and on page 1 of
370 Schedule 1.11 of Frontier Companies Exhibit 1.0.

371 Q. Do you agree with the Frontier Companies proposed adjustments for directory
372 revenue and directory expense?

373 A. No. The Frontier Companies proposed to remove yellow pages directory
374 advertising revenues and expenses from the Illinois Universal Service Funding
375 Calculation. These revenues and expenses should be included in the calculation
376 of IUSF support. This Commission has maintained a policy of including these
377 revenues in the calculation of rates. I have restored yellow pages directory
378 advertising revenues and expenses through the adjustments presented on lines
379 6 through 14 on page 2 of Schedules 7.09 through 7.14.

380 Q. Did you review the six Frontier Companies' adjustments for additional
381 depreciation expense attributable to the 2001 Capital Budget and the 2002
382 Extraordinary Expenditures?

383 A. Yes. The Frontier Companies discussed these proposed adjustments to
384 depreciation expense on page 15 of Frontier Companies Exhibit 1.0 and
385 presented the calculations of these proposed adjustments on page 2 of
386 Schedule 1.11 of Frontier Companies Exhibit 1.0.

Q. Do you agree with the Frontier Companies proposed adjustments for additional depreciation expense attributable to the 2001 Capital Budget and the 2002 Extraordinary Expenditures?

A. Yes and no. I agree with the depreciation expense adjustments for FC of Lakeside, FC-Midland, and FC-Schuyler. I do not agree with the depreciation expense adjustments for FC of DePue, FC of Illinois, and FC-Prairie.

For FC of DePue, FC of Illinois, and FC-Prairie, the Frontier Companies proposed to increase depreciation expense for depreciation on plant additions included in 2001 Capital Budget and the 2002 Extraordinary Expenditures. However, for these three Frontier Companies, I disagree with the calculation of the depreciation expense on the 2002 Extraordinary Expenditures. After reviewing the calculations presented on page 2 of Schedule 1.11 of Frontier Companies Exhibit 1.0, it appears that there was an error in the calculation of the depreciation expense on line 2.

I recalculate the depreciation expense on ICC Staff Exhibit 7.0, Schedule 7.21, entitled "Calculation of Depreciation Expense Adjustment, For the 2001 Capital Budget and the 2002 Extraordinary Expenditures." Lines 2, 3, and 6 of Schedule 7.19 present the information provided on page 2 of Frontier Companies Schedule 1.11. Line 8 of Schedule 7.21 calculates a "Composite half-year depreciation rate" by dividing the "Company calculated depreciation expense of

the 2001 Capital Budget (half year assumed)” on line 6 by the “2001 Capital Budget” on line 2. Line 10 of Schedule 7.21 calculates a “Staff calculated depreciation expense for the 2002 Extraordinary Expenditures (half year assumed)” by multiplying the “2002 Extraordinary Expenditures” on line 3 by the “Composite half-year depreciation rate” on line 8. The “Staff Depreciation Expense” on line 12 is the sum of the “Company calculated depreciation expense of the 2001 Capital Budget (half year assumed)” on line 6 and the “Staff calculated depreciation expense for the 2002 Extraordinary Expenditures (half year assumed)” on line 10.

I believe that it is appropriate to allow only one-half of a year’s depreciation on both the plant additions included in the 2001 Capital Budget and the plant additions included in the 2002 Extraordinary Expenditures.

I correct the amounts of the Frontier Companies proposed depreciation expense adjustments through the adjustments presented at lines 16 through 19 on page 2 of Schedule 7.09 for FC of DePue, Schedule 7.10 for FC of Illinois, and Schedule 7.13 for FC-Prairie.

Q. Are you also proposing adjustments for the funding difference in FTHCF support between the years 2000 and 2001 for the six Frontier Companies?

425 A. Yes. I am proposing adjustments for the funding difference in FTHCF support
426 between the years 2000 and 2001. Earlier in this testimony, I discuss the
427 calculation of this funding difference.

428 Two of the Frontier Companies, FC of Lakeside and FC-Midland, have increased
429 their revenues for "New* USAC Support Revenue" through an adjustment in
430 column i on Frontier Companies Exhibit 1.0, Schedule 1.10, page 2. The "New*
431 USAC Support Revenue" appears to be the Interstate Access support that is
432 included in the calculation of the funding difference in FTHCF support on
433 Schedule 7.20. Thus, I am reversing the amounts of "New* USAC Support
434 Revenue" on page 2 of Schedules 7.11 for FC of Lakeside and 7.12 for FC-
435 Midland.

436 My adjustments for the funding difference in FTHCF support between the years
437 2000 and 2002 are presented at lines 21 through 26 on page 2 of Schedules
438 7.09 through 7.14.

439 Q. Have you reviewed the Frontier Companies proposed adjustments to
440 accumulated deferred income taxes?

441 A. Yes. The Frontier Companies discussed these proposed adjustments on pages
442 8 and 9 of Frontier Companies Exhibit 1.0 and the calculations of these
443 proposed adjustments is presented on Schedule 1.08 of Frontier Companies
444 Exhibit 1.0.

445 Q. Do you agree with the Frontier Companies proposed adjustments to
446 accumulated deferred income taxes?

447 A. I do not know. The purpose and appropriateness of the Frontier Companies
448 adjustments to accumulated deferred income taxes is unclear. I anticipate that
449 the Frontier Companies will clarify the purpose and appropriateness for these
450 adjustments through additional testimony and data responses.

451 FLAT ROCK TELEPHONE COOPERATIVE

452 Q. Are you proposing any adjustments for Flat Rock Telephone Cooperative?

453 A. Yes. I am proposing an adjustment for the funding difference in FTHCF support
454 between the years 2000 and 2001. Earlier in this testimony, I discuss the
455 calculation of this funding difference. This adjustment is presented on page 2 of
456 Schedule 7.15 and included at column c, line 14, on page 1 of Schedule 7.15.

457 GLASFORD TELEPHONE COMPANY

458 Q. Are you proposing any adjustments for Glasford Telephone Company?

459 A. Yes. I am proposing an adjustment for the funding difference in FTHCF support
460 between the years 2000 and 2001. Earlier in this testimony, I discuss the

calculation of this funding difference. This adjustment is presented on page 2 of
Schedule 7.16 and included at column c, line 14, on page 1 of Schedule 7.16.

GRAFTON TELEPHONE COMPANY

Q. Are you proposing any adjustments for Grafton Telephone Company?

A. Yes. I am proposing an adjustment for the funding difference in FTHCF support
between the years 2000 and 2001. Earlier in this testimony, I discuss the
calculation of this funding difference. This adjustment is presented on page 2 of
Schedule 7.17 and included at column c, line 14, on page 1 of Schedule 7.17.

GRIDLEY TELEPHONE COMPANY

Q. Are you proposing any adjustments for Gridley Telephone Company?

A. Yes. I am proposing an adjustment for the funding difference in FTHCF support
between the years 2000 and 2001. As I mention earlier in this testimony, Gridley
Telephone Company ("Gridley") included an adjustment for a change in the level
of Federal support for the High Cost Loop Fund. Gridley increased its revenues
by \$30,681. However, there were increases in Federal Long Term Support
funding and Federal Local Switching Support funding. The \$51,930 Funding
Difference calculated on Schedule 7.20 calculates the total change in Federal

support for the elements of the FTHCF support: High Cost Loop, Interstate Access, Long Term Support, and Local Switching Support. The \$51,930 increase in FTHCF support is shown on line 4 of Schedule 7.18, page 2. This \$51,930 increase must be offset by Gridley's increase adjustment of \$30,681 to result in a net increase in Gridley's adjusted revenues of \$21,249. This adjustment is presented on line 6 of page 2 of Schedule 7.18 and included at column c, line 14, on page 1 of Schedule 7.18.

Q. Is there a second adjustment for Gridley?

A. Yes. Staff witness Marshall, in ICC Staff Exhibit 14.0, is proposing an adjustment to Gridley's access revenues. This adjustment is summarized on lines 8 through 11 of page 2 of Schedule 7.18 and included at column c, line 14, on page 1 of Schedule 7.18.

HARRISONVILLE TELEPHONE COMPANY

Q. Are you proposing any adjustments for Harrisonville Telephone Company?

A. Yes. I am proposing an adjustment for the funding difference in FTHCF support between the years 2000 and 2001. As I mention earlier in this testimony, Harrisonville Telephone Company ("Harrisonville") included an adjustment for a change in the level of Federal support for the High Cost Loop Fund.

Harrisonville increased its revenues by \$356,838. Harrisonville also included an adjustment for a change in the level of Federal support for Local Switching Support. Harrisonville decreased its revenues by \$316,417. However, there was also an increase in Federal Long Term Support funding. The \$14,250 Funding Difference calculated on Schedule 7.20 calculates the total change in Federal support for the elements of the FTHCF support: High Cost Loop, Interstate Access, Long Term Support, and Local Switching Support. The \$14,250 increase in FTHCF support is shown on line 4 of Schedule 7.19, page 2. This \$14,250 increase must be offset by Harrisonville's High Cost Loop Fund increase adjustment of \$356,838 and its Local Switching Support decrease adjustment of \$316,417 to result in a net decrease in Harrisonville's adjusted revenues of \$26,171. This adjustment is presented on line 7 of page 2 of Schedule 7.19 and included at column c, line 14, on page 1 of Schedule 7.19.

CONCLUSION

Q. Does this conclude your Rebuttal Testimony?

A. Yes, it does.

Adams Telephone Cooperative
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company</u> <u>Amount</u>	<u>Staff</u> <u>Adjustment</u>	<u>Staff Adjusted</u> <u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 5,238,530		\$ 5,238,530	
2	Materials and Supplies Inventory	429,681		429,681	
3	Customer Deposits	33,946	-	33,946	
4	ADIT - Regulated Plant	-	-	-	
5	Rate Base before Working Capital	5,634,265	-	5,634,265	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	4,192,562		4,192,562	
8	Less: Depreciation Expense	826,245	-	826,245	
9	Total WC Operating Expense	3,366,317	-	3,366,317	line 7 - line 8
10	WC OE Requirement	420,790	-	420,790	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	420,790	-	420,790	line 10 + line 11
13	Total Rate Base	6,055,055	-	6,055,055	line 5 + line 12
14	Total Operating Revenues	4,793,069	78,825	4,871,894	page 2, line 4
15	Less: Illinois High Cost Fund	52,356	-	52,356	
16	Net Operating Revenues	4,740,713	78,825	4,819,538	line 14 - line 15
17	Total Operating Expenses	4,192,562	-	4,192,562	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	-	-	-	
20	Net Op Inc before Income Taxes	548,151	78,825	626,976	line 16 - lines 17, 18, & 19
21	Income Tax Expense	-	-	-	line 34
22	Net Operating Income	548,151	78,825	626,976	line 20 - line 21
23	Return on Rate Base	9.05%		10.35%	line 22 / line 13
24	After-tax Cost of Capital	12.60%	12.60%	12.60%	
25	Target Net Operating Income	762,937	-	762,937	line 24 * line 13
26	Adj to Achieve Target Return on RB	214,786	(78,825)	135,961	line 25 - line 22
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	line 35
28	Staff ROR Deficiency	214,786	(78,825)	135,961	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	548,151	78,825	626,976	line 20
31	Illinois Inc & Rep Tax Expense	-	-	-	
32	Net Op Inc before Fed Inc Tax	548,151	78,825	626,976	line 30 - line 31
33	Federal Income Tax Expense	-	-	-	
34	Total Imputed Income Tax Expense	-	-	-	line 31 + line 33
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	

Docket Nos. 00-0233 & 00-0335 (Consolidated)--Phase II
ICC Staff Exhibit 7.0, Schedule 7.01

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Adams Telephone Cooperative
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 786,762			Schedule 7.20, column d
3	2000 Total FTHCF Support	707,937			Schedule 7.20, column c
4	Adjustment	<u>\$ 78,825</u>			line 1 - line 2
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Alhambra-Grantfork Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 1,343,087		\$ 1,343,087	
2	Materials and Supplies Inventory	26,942		26,942	
3	Customer Deposits	6,677	-	6,677	
4	ADIT - Regulated Plant	<u>96,878</u>	<u>-</u>	<u>96,878</u>	
5	Rate Base before Working Capital	1,266,474	-	1,266,474	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	892,204	(15,693)	876,511	
8	Less: Depreciation Expense	<u>214,165</u>	<u>-</u>	<u>214,165</u>	
9	Total WC Operating Expense	<u>678,039</u>	<u>(15,693)</u>	<u>662,346</u>	line 7 - line 8
10	WC OE Requirement	84,755	(1,962)	82,793	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	<u>-</u>	<u>-</u>	<u>-</u>	
12	Total Working Capital Requirement	<u>84,755</u>	<u>(1,962)</u>	<u>82,793</u>	line 10 + line 11
13	Total Rate Base	<u>1,351,229</u>	<u>(1,962)</u>	<u>1,349,267</u>	line 5 + line 12
14	Total Operating Revenues	1,443,946	(1,437)	1,442,509	page 2, line 4
15	Less: Illinois High Cost Fund	<u>311,199</u>	<u>-</u>	<u>311,199</u>	
16	Net Operating Revenues	1,132,747	(1,437)	1,131,310	line 14 - line 15
17	Total Operating Expenses	892,204	(15,693)	876,511	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	<u>14,689</u>	<u>-</u>	<u>14,689</u>	
20	Net Op Inc before Income Taxes	225,854	14,256	240,110	line 16 - lines 17, 18, & 19
21	Income Tax Expense	<u>87,493</u>	<u>5,523</u>	<u>93,016</u>	line 34
22	Net Operating Income	<u>138,361</u>	<u>8,733</u>	<u>147,094</u>	line 20 - line 21
23	Return on Rate Base	<u>10.24%</u>		<u>10.90%</u>	line 22 / line 13
24	After-tax Cost of Capital	<u>11.21%</u>	<u>11.21%</u>	<u>11.21%</u>	
25	Target Net Operating Income	<u>151,473</u>	<u>(220)</u>	<u>151,253</u>	line 24 * line 13
26	Adj to Achieve Target Return on RB	13,112	(8,953)	4,159	line 25 - line 22
27	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	line 35
28	Staff ROR Deficiency	<u>21,404</u>	<u>(14,615)</u>	<u>6,789</u>	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	225,854	14,256	240,110	line 20
31	Illinois Inc & Rep Tax Expense	<u>16,216</u>	<u>1,024</u>	<u>17,240</u>	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	209,638	13,232	222,870	line 30 - line 31
33	Federal Income Tax Expense	<u>71,277</u>	<u>4,499</u>	<u>75,776</u>	line 32 * 34.00%
34	Total Imputed Income Tax Expense	<u>87,493</u>	<u>5,523</u>	<u>93,016</u>	line 31 + line 33
35	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	1 / ((1 - .0718) * (1 - .34))

Docket Nos. 00-0233 & 00-0335 (Consolidated)--Phase II
ICC Staff Exhibit 7.0, Schedule 7.02

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Alhambra-Grantfork Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 216,414			Schedule 7.20, column d
3	2000 Total FTHCF Support	<u>217,851</u>			Schedule 7.20, column c
4	Adjustment	<u>\$ (1,437)</u>			line 1 - line 2
5					
6	Station Apparatus Expense				
7	Station Apparatus Expense per Staff	\$ -			
8	Station Apparatus Expense per Company	<u>15,693</u>			A-G's 2000 ICC Form 23A, p. 12, Account 6311
9	Adjustment	<u>\$ (15,693)</u>			line 7- line 8
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Docket Nos. 00-0233 & 00-0335 (Consolidated)--Phase II
ICC Staff Exhibit 7.0, Schedule 7.03

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Cambridge Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 1,286,171		\$ 1,286,171	
2	Materials and Supplies Inventory	-		-	
3	Customer Deposits	4,148	-	4,148	
4	ADIT - Regulated Plant	21,279	-	21,279	
5	Rate Base before Working Capital	1,260,744	-	1,260,744	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	1,200,762		1,200,762	
8	Less: Depreciation Expense	284,160	-	284,160	
9	Total WC Operating Expense	916,602	-	916,602	line 7 - line 8
10	WC OE Requirement	114,575	-	114,575	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	114,575	-	114,575	line 10 + line 11
13	Total Rate Base	1,375,319	-	1,375,319	line 5 + line 12
14	Total Operating Revenues	1,386,094	(5,574)	1,380,520	page 2, line 4
15	Less: Illinois High Cost Fund	22,836	-	22,836	
16	Net Operating Revenues	1,363,258	(5,574)	1,357,684	line 14 - line 15
17	Total Operating Expenses	1,200,762	-	1,200,762	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	1,255	-	1,255	
20	Net Op Inc before Income Taxes	161,241	(5,574)	155,667	line 16 - lines 17, 18, & 19
21	Income Tax Expense	62,463	(2,159)	60,304	line 34
22	Net Operating Income	98,778	(3,415)	95,363	line 20 - line 21
23	Return on Rate Base	7.18%		6.93%	line 22 / line 13
24	After-tax Cost of Capital	11.21%	11.21%	11.21%	
25	Target Net Operating Income	154,173	-	154,173	line 24 * line 13
26	Adj to Achieve Target Return on RB	55,395	3,415	58,810	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	line 35
28	Staff ROR Deficiency	90,427	5,575	96,001	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	161,241	(5,574)	155,667	line 20
31	Illinois Inc & Rep Tax Expense	11,577	(400)	11,177	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	149,664	(5,174)	144,490	line 30 - line 31
33	Federal Income Tax Expense	50,886	(1,759)	49,127	line 32 * 34.00%
34	Total Imputed Income Tax Expense	62,463	(2,159)	60,304	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	1 / ((1 - .0718) * (1 - .34))

Docket Nos. 00-0233 & 00-0335 (Consolidated)--Phase II
ICC Staff Exhibit 7.0, Schedule 7.03

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Cambridge Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 197,166			Schedule 7.20, column d
3	2000 Total FTHCF Support	<u>202,740</u>			Schedule 7.20, column c
4	Adjustment	<u>\$ (5,574)</u>			line 1 - line 2
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Cass Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 2,195,389		\$ 2,195,389	
2	Materials and Supplies Inventory	62,082		62,082	
3	Customer Deposits	3,925	-	3,925	
4	ADIT - Regulated Plant	-	-	-	
5	Rate Base before Working Capital	2,253,546	-	2,253,546	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	2,749,342	-	2,749,342	
8	Less: Depreciation Expense	317,143	-	317,143	
9	Total WC Operating Expense	2,432,199	-	2,432,199	line 7 - line 8
10	WC OE Requirement	304,025	-	304,025	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	304,025	-	304,025	line 10 + line 11
13	Total Rate Base	2,557,571	-	2,557,571	line 5 + line 12
14	Total Operating Revenues	3,147,792	98,850	3,246,642	page 2, line 4
15	Less: Illinois High Cost Fund	516,084	-	516,084	
16	Net Operating Revenues	2,631,708	98,850	2,730,558	line 14 - line 15
17	Total Operating Expenses	2,749,342	-	2,749,342	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	5,625	-	5,625	
20	Net Op Inc before Income Taxes	(123,259)	98,850	(24,409)	line 16 - lines 17, 18, & 19
21	Income Tax Expense	(47,749)	38,293	(9,456)	line 34
22	Net Operating Income	(75,510)	60,557	(14,953)	line 20 - line 21
23	Return on Rate Base	-2.95%		-0.58%	line 22 / line 13
24	After-tax Cost of Capital	11.21%	11.21%	11.21%	
25	Target Net Operating Income	286,704	-	286,704	line 24 * line 13
26	Adj to Achieve Target Return on RB	362,214	(60,557)	301,657	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	line 35
28	Staff ROR Deficiency	591,278	(98,853)	492,425	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	(123,259)	98,850	(24,409)	line 20
31	Illinois Inc & Rep Tax Expense	(8,850)	7,097	(1,753)	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	(114,409)	91,753	(22,656)	line 30 - line 31
33	Federal Income Tax Expense	(38,899)	31,196	(7,703)	line 32 * 34.00%
34	Total Imputed Income Tax Expense	(47,749)	38,293	(9,456)	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	1 / ((1 - .0718) * (1 - .34))

Cass Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 571,368			Schedule 7.20, column d
3	2000 Total FTHCF Support	472,518			Schedule 7.20, column c
4	Adjustment	<u>\$ 98,850</u>			line 1 - line 2
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C-R Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 2,282,689	\$ (268,750)	\$ 2,013,939	page 2, line 9
2	Materials and Supplies Inventory	14,966		14,966	
3	Customer Deposits	4,250	-	4,250	
4	ADIT - Regulated Plant	<u>139,101</u>	<u>-</u>	<u>139,101</u>	
5	Rate Base before Working Capital	2,154,304	(268,750)	1,885,554	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	1,440,145		1,440,145	
8	Less: Depreciation Expense	<u>282,810</u>	<u>-</u>	<u>282,810</u>	
9	Total WC Operating Expense	<u>1,157,335</u>	<u>-</u>	<u>1,157,335</u>	line 7 - line 8
10	WC OE Requirement	144,667	-	144,667	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	<u>-</u>	<u>-</u>	<u>-</u>	
12	Total Working Capital Requirement	<u>144,667</u>	<u>-</u>	<u>144,667</u>	line 10 + line 11
13	Total Rate Base	<u>2,298,971</u>	<u>(268,750)</u>	<u>2,030,221</u>	line 5 + line 12
14	Total Operating Revenues	1,904,485	(13,812)	1,890,673	page 2, line 6
15	Less: Illinois High Cost Fund	<u>215,861</u>	<u>-</u>	<u>215,861</u>	
16	Net Operating Revenues	1,688,624	(13,812)	1,674,812	line 14 - line 15
17	Total Operating Expenses	1,440,145		1,440,145	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	<u>2,520</u>	<u>-</u>	<u>2,520</u>	
20	Net Op Inc before Income Taxes	245,959	(13,812)	232,147	line 16 - lines 17, 18, & 19
21	Income Tax Expense	<u>95,282</u>	<u>(5,351)</u>	<u>89,931</u>	line 34
22	Net Operating Income	<u>150,677</u>	<u>(8,461)</u>	<u>142,216</u>	line 20 - line 21
23	Return on Rate Base	<u>6.55%</u>		<u>7.00%</u>	line 22 / line 13
24	After-tax Cost of Capital	<u>11.21%</u>	<u>11.21%</u>	<u>11.21%</u>	
25	Target Net Operating Income	<u>257,715</u>	<u>(30,127)</u>	<u>227,588</u>	line 24 * line 13
26	Adj to Achieve Target Return on RB	107,038	(21,666)	85,372	line 25 - line 22
27	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	line 35
28	Staff ROR Deficiency	<u>174,729</u>	<u>(35,368)</u>	<u>139,361</u>	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	245,959	(13,812)	232,147	line 20
31	Illinois Inc & Rep Tax Expense	<u>17,660</u>	<u>(992)</u>	<u>16,668</u>	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	228,299	(12,820)	215,479	line 30 - line 31
33	Federal Income Tax Expense	<u>77,622</u>	<u>(4,359)</u>	<u>73,263</u>	line 32 * 34.00%
34	Total Imputed Income Tax Expense	<u>95,282</u>	<u>(5,351)</u>	<u>89,931</u>	line 31 + line 33
35	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	1 / ((1 - .0718) * (1 - .34))

C-R Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 788,478			Schedule 7.20, column d
3	2000 Total FTHCF Support	780,375			Schedule 7.20, column c
4	Funding Difference	\$ 8,103			line 1 - line 2
	Reverse C-R Adjustment for Federal High				
5	Cost Loop Funding	21,915			C-R Exhibit 1.0, Schedule 1.02
6	Adjustment	<u>\$ (13,812)</u>			line 4 - line 5
7					
8	Change in Net Regulated Plant for Intangibles				
9	Net Regulated Plant per Staff	\$ 2,013,939			Response to SDR-C-R-004
10	Net Regulated Plant per Company	2,282,689			Response to SDR-C-R-004
11	Adjustment	<u>\$ (268,750)</u>			line 7 - line 8
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Crossville Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company</u> <u>Amount</u>	<u>Staff</u> <u>Adjustment</u>	<u>Staff Adjusted</u> <u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 891,628		\$ 891,628	
2	Materials and Supplies Inventory	1,496		1,496	
3	Customer Deposits	1,520	-	1,520	
4	ADIT - Regulated Plant	98,104	-	98,104	
5	Rate Base before Working Capital	793,500	-	793,500	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	472,673		472,673	
8	Less: Depreciation Expense	89,157		89,157	
9	Total WC Operating Expense	383,516	-	383,516	line 7 - line 8
10	WC OE Requirement	47,940	-	47,940	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	47,940	-	47,940	line 10 + line 11
13	Total Rate Base	841,440	-	841,440	line 5 + line 12
14	Total Operating Revenues	624,768	9,510	634,278	page 2, line 4
15	Less: Illinois High Cost Fund	12,696	-	12,696	
16	Net Operating Revenues	612,072	9,510	621,582	line 14 - line 15
17	Total Operating Expenses	472,673		472,673	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	2,218	-	2,218	
20	Net Op Inc before Income Taxes	137,181	9,510	146,691	line 16 - lines 17, 18, & 19
21	Income Tax Expense	53,143	3,684	56,826	line 34
22	Net Operating Income	84,038	5,826	89,865	line 20 - line 21
23	Return on Rate Base	9.99%		10.68%	line 22 / line 13
24	After-tax Cost of Capital	11.21%	11.21%	11.21%	
25	Target Net Operating Income	94,325	-	94,325	line 24 * line 13
26	Adj to Achieve Target Return on RB	10,287	(5,826)	4,460	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	line 35
28	Staff ROR Deficiency	16,792	(9,510)	7,281	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	137,181	9,510	146,691	line 20
31	Illinois Inc & Rep Tax Expense	9,850	683	10,532	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	127,331	8,827	136,159	line 30 - line 31
33	Federal Income Tax Expense	43,293	3,001	46,294	line 32 * 34.00%
34	Total Imputed Income Tax Expense	53,143	3,684	56,826	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	1 / ((1 - .0718) * (1 - .34))

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Crossville Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 108,420			Schedule 7.20, column d
3	2000 Total FTHCF Support	<u>98,910</u>			Schedule 7.20, column c
4	Adjustment	<u>\$ 9,510</u>			line 1 - line 2
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Egyptian Telephone Cooperative
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 5,364,148		\$ 5,364,148	
2	Materials and Supplies Inventory	59,252		59,252	
3	Customer Deposits	3,420	-	3,420	
4	ADIT - Regulated Plant	-		-	
5	Rate Base before Working Capital	5,419,980	-	5,419,980	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	4,624,154		4,624,154	
8	Less: Depreciation Expense	1,156,292		1,156,292	
9	Total WC Operating Expense	3,467,862	-	3,467,862	line 7 - line 8
10	WC OE Requirement	433,483	-	433,483	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-		-	
12	Total Working Capital Requirement	433,483	-	433,483	line 10 + line 11
13	Total Rate Base	5,853,463	-	5,853,463	line 5 + line 12
14	Total Operating Revenues	5,353,298	(11,580)	5,341,718	
15	Less: Illinois High Cost Fund	1,368,309	-	1,368,309	
16	Net Operating Revenues	3,984,989	(11,580)	3,973,409	line 14 - line 15
17	Total Operating Expenses	4,624,154	-	4,624,154	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	7,564	-	7,564	
20	Net Op Inc before Income Taxes	(646,729)	(11,580)	(658,309)	line 16 - lines 17, 18, & 19
21	Income Tax Expense	-	-	-	line 34
22	Net Operating Income	(646,729)	(11,580)	(658,309)	line 20 - line 21
23	Return on Rate Base	-11.05%		-11.25%	line 22 / line 13
24	After-tax Cost of Capital	12.60%	12.60%	12.60%	
25	Target Net Operating Income	737,536	-	737,536	line 24 * line 13
26	Adj to Achieve Target Return on RB	1,384,265	11,580	1,395,845	line 25 - line 22
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	line 35
28	Staff ROR Deficiency	1,384,265	11,580	1,395,845	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	(646,729)	(11,580)	(658,309)	line 20
31	Illinois Inc & Rep Tax Expense	-	-	-	
32	Net Op Inc before Fed Inc Tax	(646,729)	(11,580)	(658,309)	line 30 - line 31
33	Federal Income Tax Expense	-	-	-	
34	Total Imputed Income Tax Expense	-	-	-	line 31 + line 33
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	

Egyptian Telephone Cooperative
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 1,296,924			Schedule 7.20, column d
3	2000 Total FTHCF Support	<u>1,424,250</u>			Schedule 7.20, column c
4	Funding Difference	\$ (127,326)			line 1 - line 2
	Reverse Egyptian Adjustment for Federal				Egyptian Exhibit 7.0, Schedule
5	High Cost Loop Funding	<u>(115,746)</u>			1.02
6	Adjustment	<u>\$ (11,580)</u>			line 4 - line 5
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El Paso Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company</u> <u>Amount</u>	<u>Staff</u> <u>Adjustment</u>	<u>Staff Adjusted</u> <u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 1,623,137	\$ (70,902)	\$ 1,552,235	page 2, line 11
2	Materials and Supplies Inventory	11,088		11,088	
3	Customer Deposits	9,857	-	9,857	
4	ADIT - Regulated Plant	<u>73,930</u>	<u>-</u>	<u>73,930</u>	
5	Rate Base before Working Capital	1,550,438	(70,902)	1,479,536	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	1,642,949		1,642,949	
8	Less: Depreciation Expense	<u>393,546</u>	<u>-</u>	<u>393,546</u>	
9	Total WC Operating Expense	<u>1,249,403</u>	<u>-</u>	<u>1,249,403</u>	line 7 - line 8
10	WC OE Requirement	156,175	-	156,175	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	<u>-</u>	<u>-</u>	<u>-</u>	
12	Total Working Capital Requirement	<u>156,175</u>	<u>-</u>	<u>156,175</u>	line 10 + line 11
13	Total Rate Base	<u>1,706,613</u>	<u>(70,902)</u>	<u>1,635,711</u>	line 5 + line 12
14	Total Operating Revenues	2,306,492	23,772	2,330,264	page 2, line 6
15	Less: Illinois High Cost Fund	<u>396,951</u>	<u>-</u>	<u>396,951</u>	
16	Net Operating Revenues	1,909,541	23,772	1,933,313	line 14 - line 15
17	Total Operating Expenses	1,642,949		1,642,949	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	<u>9,839</u>	<u>-</u>	<u>9,839</u>	
20	Net Op Inc before Income Taxes	256,753	23,772	280,525	line 16 - lines 17, 18, & 19
21	Income Tax Expense	<u>99,463</u>	<u>9,209</u>	<u>108,672</u>	line 34
22	Net Operating Income	<u>157,290</u>	<u>14,563</u>	<u>171,853</u>	line 20 - line 21
23	Return on Rate Base	<u>9.22%</u>		<u>10.51%</u>	line 22 / line 13
24	After-tax Cost of Capital	<u>11.21%</u>	<u>11.21%</u>	<u>11.21%</u>	
25	Target Net Operating Income	<u>191,311</u>	<u>(7,948)</u>	<u>183,363</u>	line 24 * line 13
26	Adj to Achieve Target Return on RB	34,021	(22,511)	11,510	line 25 - line 22
27	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	line 35
28	Staff ROR Deficiency	<u>55,536</u>	<u>(36,747)</u>	<u>18,789</u>	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	256,753	23,772	280,525	line 20
31	Illinois Inc & Rep Tax Expense	<u>18,435</u>	<u>1,707</u>	<u>20,142</u>	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	238,318	22,065	260,383	line 30 - line 31
33	Federal Income Tax Expense	<u>81,028</u>	<u>7,502</u>	<u>88,530</u>	line 32 * 34.00%
34	Total Imputed Income Tax Expense	<u>99,463</u>	<u>9,209</u>	<u>108,672</u>	line 31 + line 33
35	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	1 / ((1 - .0718) * (1 - .34))

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El Paso Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 373,044			Schedule 7.20, column d
3	2000 Total FTHCF Support	409,269			Schedule 7.20, column c
4	Funding Difference	\$ (36,225)			line 1 - line 2
	Reverse El Paso Adjustment for Federal				El Paso Exhibit 1.0, Schedule
5	High Cost Loop Funding	(59,997)			1.02
6	Adjustment	<u>\$ 23,772</u>			line 4 - line 5
7					
8	Change in Net Regulated Plant for Intangibles				
9	Net Regulated Plant per Staff	\$ 1,552,235			Response to SDR-El Paso-004
10	Net Regulated Plant per Company	1,623,137			Response to SDR-El Paso-004
11	Adjustment	<u>\$ (70,902)</u>			line 7 - line 8
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ICC Staff Exhibit 7.0, Schedule 7.09

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Frontier Communications of DePue, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 840,962		\$ 840,962	
2	Materials and Supplies Inventory	127	-	127	
3	Customer Deposits	-	-	-	
4	ADIT - Regulated Plant	117,926	-	117,926	
5	Rate Base before Working Capital	723,163	-	723,163	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	540,558	1,034	541,592	
8	Less: Depreciation Expense	89,085	(4,897)	84,188	
9	Total WC Operating Expense	451,473	5,931	457,404	line 7 - line 8
10	WC OE Requirement	56,434	741	57,176	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	534,471	(534,471)	-	page 2, line 4
12	Total Working Capital Requirement	590,905	(533,730)	57,176	line 10 + line 11
13	Total Rate Base	1,314,068	(533,730)	780,339	line 5 + line 12
14	Total Operating Revenues	772,352	19,818	792,170	
15	Less: Illinois High Cost Fund	35,544	-	35,544	
16	Net Operating Revenues	736,808	19,818	756,626	line 14 - line 15
17	Total Operating Expenses	540,558	1,034	541,592	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	8,131	-	8,131	
20	Net Op Inc before Income Taxes	188,119	18,784	206,903	line 16 - lines 17, 18, & 19
21	Income Tax Expense	74,621	7,451	82,072	line 34
22	Net Operating Income	113,498	11,333	124,831	line 20 - line 21
23	Return on Rate Base	8.64%		16.00%	line 22 / line 13
24	After-tax Cost of Capital	10.45%	10.45%	10.45%	
25	Target Net Operating Income	137,320	(55,775)	81,545	line 24 * line 13
26	Adj to Achieve Target Return on RB	23,822	(67,108)	(43,286)	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	line 35
28	Staff ROR Deficiency	39,485	(111,232)	(71,747)	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	188,119	18,784	206,903	line 20
31	Illinois Inc & Rep Tax Expense	13,507	1,349	14,856	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	174,612	17,435	192,047	line 30 - line 31
33	Federal Income Tax Expense	61,114	6,102	67,216	line 32 * 35.00%
34	Total Imputed Income Tax Expense	74,621	7,451	82,072	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	1 / ((1 - .0718) * (1 - .35))

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ICC Staff Exhibit 7.0, Schedule 7.09

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Frontier Communications of DePue, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>		<u>Source</u>
	(a)	(b)	(c)	(d)
1	Commission-Ordered Cash Balance Requirement			
2	Cash Balance Requirement per Staff	\$ -		
3	Cash Balance Requirement per Company	534,471		FC Ex. 1.0, Sch 1.09, line 3
4	Adjustment	<u>\$ (534,471)</u>		line 2 - line 3
5				
6	Yellow Pages Directory Advertizing Revenue			
7	Revenue per Staff	\$ 11,787		FC Ex. 1.0, Sch. 1.10, p. 1, line 4
8	Revenue per Company	-		
9	Adjustment	<u>\$ 11,787</u>		line 7 - line 8
10				
11	Yellow Pages Directory Advertizing Expense			
12	Expense per Staff	\$ 5,931		FC Ex. 1.0, Sch. 1.11, p. 1, line 4
13	Expense per Company	-		
14	Adjustment	<u>\$ 5,931</u>		line 12 - line 13
15				
16	Correction of Depreciation Expense Adjustment			
17	Depreciation Expense per Staff	\$ 15,673		ICC Staff Ex. 7.0, Sch. 7.21, line 12
18	Depreciation Expense per Company	20,570		FC Ex. 1.0, Sch. 1.11, p. 2, line 3
19	Adjustment	<u>\$ (4,897)</u>		line 17 - line 18
20				
21	Funding Difference--FTHCF Support			
22	2001 Annualized FTHCF Support	\$ 107,316		Schedule 7.20, column d
23	2000 Total FTHCF Support	99,285		Schedule 7.20, column c
24	Funding Difference	\$ 8,031		line 22 - line 23
25	Reverse Adjustment for "New" USAC Support Revenue	-		FC Ex. 1.0, Sch. 1.10, p. 2, column i
26	Adjustment	<u>\$ 8,031</u>		line 24 - line 25
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ICC Staff Exhibit 7.0, Schedule 7.10

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Frontier Communications of Illinois, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 7,649,721		\$ 7,649,721	
2	Materials and Supplies Inventory	-		-	
3	Customer Deposits	-		-	
4	ADIT - Regulated Plant	<u>245,672</u>	<u>-</u>	<u>245,672</u>	
5	Rate Base before Working Capital	7,404,049	-	7,404,049	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	1,995,493	(8,249)	1,987,244	
8	Less: Depreciation Expense	<u>671,588</u>	<u>(36,371)</u>	<u>635,217</u>	
9	Total WC Operating Expense	<u>1,323,905</u>	<u>28,122</u>	<u>1,352,027</u>	line 7 - line 8
10	WC OE Requirement	165,488	3,515	169,003	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	<u>4,759,444</u>	<u>(4,759,444)</u>	<u>-</u>	page 2, line 4
12	Total Working Capital Requirement	<u>4,924,932</u>	<u>(4,755,929)</u>	<u>169,003</u>	line 10 + line 11
13	Total Rate Base	<u>12,328,981</u>	<u>(4,755,929)</u>	<u>7,573,052</u>	line 5 + line 12
14	Total Operating Revenues	3,925,157	210,817	4,135,974	
15	Less: Illinois High Cost Fund	<u>893,613</u>	<u>-</u>	<u>893,613</u>	
16	Net Operating Revenues	3,031,544	210,817	3,242,361	line 14 - line 15
17	Total Operating Expenses	1,995,493	(8,249)	1,987,244	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	<u>3,204</u>	<u>-</u>	<u>3,204</u>	
20	Net Op Inc before Income Taxes	1,032,847	219,066	1,251,913	line 16 - lines 17, 18, & 19
21	Income Tax Expense	<u>409,699</u>	<u>86,897</u>	<u>496,596</u>	line 34
22	Net Operating Income	<u>623,148</u>	<u>132,169</u>	<u>755,317</u>	line 20 - line 21
23	Return on Rate Base	<u>5.05%</u>		<u>9.97%</u>	line 22 / line 13
24	After-tax Cost of Capital	<u>10.45%</u>	<u>10.45%</u>	<u>10.45%</u>	
25	Target Net Operating Income	<u>1,288,379</u>	<u>(496,995)</u>	<u>791,384</u>	line 24 * line 13
26	Adj to Achieve Target Return on RB	665,231	(629,164)	36,067	line 25 - line 22
27	Gross Revenue Conversion Factor	<u>1.6575</u>	<u>1.6575</u>	<u>1.6575</u>	line 35
28	Staff ROR Deficiency	<u>1,102,620</u>	<u>(1,042,839)</u>	<u>59,781</u>	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	1,032,847	219,066	1,251,913	line 20
31	Illinois Inc & Rep Tax Expense	<u>74,158</u>	<u>15,729</u>	<u>89,887</u>	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	958,689	203,337	1,162,026	line 30 - line 31
33	Federal Income Tax Expense	<u>335,541</u>	<u>71,168</u>	<u>406,709</u>	line 32 * 35.00%
34	Total Imputed Income Tax Expense	<u>409,699</u>	<u>86,897</u>	<u>496,596</u>	line 31 + line 33
35	Gross Revenue Conversion Factor	<u>1.6575</u>	<u>1.6575</u>	<u>1.6575</u>	1 / ((1 - .0718) * (1 - .35))

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ICC Staff Exhibit 7.0, Schedule 7.10

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Frontier Communications of Illinois, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>		<u>Source</u>
	(a)	(b)	(c)	(d)
1	Commission-Ordered Cash Balance Requirement			
2	Cash Balance Requirement per Staff	\$ -		
3	Cash Balance Requirement per Company	4,759,444		FC Ex. 1.0, Sch 1.09, line 3
4	Adjustment	<u>\$ (4,759,444)</u>		line 2 - line 3
5				
6	Yellow Pages Directory Advertizing Revenue			
7	Revenue per Staff	\$ 64,747		FC Ex. 1.0, Sch. 1.10, p. 1, line 4
8	Revenue per Company	-		
9	Adjustment	<u>\$ 64,747</u>		line 7 - line 8
10				
11	Yellow Pages Directory Advertizing Expense			
12	Expense per Staff	\$ 28,122		FC Ex. 1.0, Sch. 1.11, p. 1, line 4
13	Expense per Company	-		
14	Adjustment	<u>\$ 28,122</u>		line 12 - line 13
15				
16	Correction of Depreciation Expense Adjustment			
17	Depreciation Expense per Staff	\$ 120,590		ICC Staff Ex. 7.0, Sch. 7.21, line 12
18	Depreciation Expense per Company	156,961		FC Ex. 1.0, Sch. 1.11, p. 2, line 3
19	Adjustment	<u>\$ (36,371)</u>		line 17 - line 18
20				
21	Funding Difference--FTHCF Support			
22	2001 Annualized FTHCF Support	\$ 542,178		Schedule 7.20, column d
23	2000 Total FTHCF Support	396,108		Schedule 7.20, column c
24	Funding Difference	\$ 146,070		line 22 - line 23
25	Reverse Adjustment for "New" USAC Support Revenue	-		FC Ex. 1.0, Sch. 1.10, p. 2, column i
26	Adjustment	<u>\$ 146,070</u>		line 24 - line 25
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Frontier Communications of Lakeside, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u> (a)	<u>Adjusted Amount</u> (b)	<u>Adjustment</u> (c)	<u>Adjusted Amount</u> (d)	<u>Source</u> (e)
1	Net Regulated Plant	\$ 1,020,701		\$ 1,020,701	
2	Materials and Supplies Inventory	-		-	
3	Customer Deposits	-	-	-	
4	ADIT - Regulated Plant	77,845	-	77,845	
5	Rate Base before Working Capital	942,856	-	942,856	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	371,961	2,125	374,086	
8	Less: Depreciation Expense	102,454		102,454	
9	Total WC Operating Expense	269,507	2,125	271,632	line 7 - line 8
10	WC OE Requirement	33,688	266	33,954	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	257,886	(257,886)	-	page 2, line 4
12	Total Working Capital Requirement	291,574	(257,620)	33,954	line 10 + line 11
13	Total Rate Base	1,234,430	(257,620)	976,810	line 5 + line 12
14	Total Operating Revenues	624,434	8,807	633,241	
15	Less: Illinois High Cost Fund	83,731	-	83,731	
16	Net Operating Revenues	540,703	8,807	549,510	line 14 - line 15
17	Total Operating Expenses	371,961	2,125	374,086	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	1,495	-	1,495	
20	Net Op Inc before Income Taxes	167,247	6,682	173,929	line 16 - lines 17, 18, & 19
21	Income Tax Expense	66,342	2,651	68,992	line 34
22	Net Operating Income	100,905	4,031	104,937	line 20 - line 21
23	Return on Rate Base	8.17%		10.74%	line 22 / line 13
24	After-tax Cost of Capital	10.45%	10.45%	10.45%	
25	Target Net Operating Income	128,998	(26,921)	102,077	line 24 * line 13
26	Adj to Achieve Target Return on RB	28,093	(30,952)	(2,860)	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	line 35
28	Staff ROR Deficiency	46,564	(51,303)	(4,740)	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	167,247	6,682	173,929	line 20
31	Illinois Inc & Rep Tax Expense	12,008	480	12,488	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	155,239	6,202	161,441	line 30 - line 31
33	Federal Income Tax Expense	54,334	2,171	56,504	line 32 * 35.00%
34	Total Imputed Income Tax Expense	66,342	2,651	68,992	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	1 / ((1 - .0718) * (1 - .35))

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Frontier Communications of Lakeside, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>		<u>Source</u>
	(a)	(b)	(c)	(d)
1	Commission-Ordered Cash Balance Requirement			
2	Cash Balance Requirement per Staff	\$ -		
3	Cash Balance Requirement per Company	257,886		FC Ex. 1.0, Sch 1.09, line 3
4	Adjustment	<u>\$ (257,886)</u>		line 2 - line 3
5				
6	Yellow Pages Directory Advertizing Revenue			
7	Revenue per Staff	\$ 2,229		FC Ex. 1.0, Sch. 1.10, p. 1, line 4
8	Revenue per Company	-		
9	Adjustment	<u>\$ 2,229</u>		line 7 - line 8
10				
11	Yellow Pages Directory Advertizing Expense			
12	Expense per Staff	\$ 2,125		FC Ex. 1.0, Sch. 1.11, p. 1, line 4
13	Expense per Company	-		
14	Adjustment	<u>\$ 2,125</u>		line 12 - line 13
15				
16				
17				
18				
19				
20				
21	Funding Difference--FTHCF Support			
22	2001 Annualized FTHCF Support	\$ 68,760		Schedule 7.20, column d
23	2000 Total FTHCF Support	61,944		Schedule 7.20, column c
24	Funding Difference	<u>\$ 6,816</u>		line 22 - line 23
25	Reverse Adjustment for "New" USAC Support Revenue	238		FC Ex. 1.0, Sch. 1.10, p. 2, column i
26	Adjustment	<u>\$ 6,578</u>		line 24 - line 25
27				
28				
29				
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34				
35				

Docket Nos. 00-0233 & 00-0335 (Consolidated)--Phase II
ICC Staff Exhibit 7.0, Schedule 7.12

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Frontier Communications-Midland, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 5,725,750		\$ 5,725,750	
2	Materials and Supplies Inventory	4,422	-	4,422	
3	Customer Deposits	-	-	-	
4	ADIT - Regulated Plant	531,545	-	531,545	
5	Rate Base before Working Capital	5,198,627	-	5,198,627	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	2,210,205	10,157	2,220,362	
8	Less: Depreciation Expense	648,313		648,313	
9	Total WC Operating Expense	1,561,892	10,157	1,572,049	line 7 - line 8
10	WC OE Requirement	195,237	1,270	196,506	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	980,039	(980,039)	-	page 2, line 4
12	Total Working Capital Requirement	1,175,276	(978,769)	196,506	line 10 + line 11
13	Total Rate Base	6,373,903	(978,769)	5,395,133	line 5 + line 12
14	Total Operating Revenues	3,762,327	22,425	3,784,752	
15	Less: Illinois High Cost Fund	950,825	-	950,825	
16	Net Operating Revenues	2,811,502	22,425	2,833,927	line 14 - line 15
17	Total Operating Expenses	2,210,205	10,157	2,220,362	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	9,067	-	9,067	
20	Net Op Inc before Income Taxes	592,230	12,268	604,498	line 16 - lines 17, 18, & 19
21	Income Tax Expense	234,920	4,866	239,786	line 34
22	Net Operating Income	357,310	7,402	364,712	line 20 - line 21
23	Return on Rate Base	5.61%		6.76%	line 22 / line 13
24	After-tax Cost of Capital	10.45%	10.45%	10.45%	
25	Target Net Operating Income	666,073	(102,281)	563,791	line 24 * line 13
26	Adj to Achieve Target Return on RB	308,763	(109,683)	199,079	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	line 35
28	Staff ROR Deficiency	511,775	(181,800)	329,973	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	592,230	12,268	604,498	line 20
31	Illinois Inc & Rep Tax Expense	42,522	881	43,403	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	549,708	11,387	561,095	line 30 - line 31
33	Federal Income Tax Expense	192,398	3,985	196,383	line 32 * 35.00%
34	Total Imputed Income Tax Expense	234,920	4,866	239,786	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	1 / ((1 - .0718) * (1 - .35))

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Frontier Communications-Midland, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>		<u>Source</u>
	(a)	(b)	(c)	(d)
1	Commission-Ordered Cash Balance Requirement			
2	Cash Balance Requirement per Staff	\$ -		
3	Cash Balance Requirement per Company	980,039		FC Ex. 1.0, Sch 1.09, line 3
4	Adjustment	<u>\$ (980,039)</u>		line 2 - line 3
5				
6	Yellow Pages Directory Advertizing Revenue			
7	Revenue per Staff	\$ 29,992		FC Ex. 1.0, Sch. 1.10, p. 1, line 4
8	Revenue per Company	-		
9	Adjustment	<u>\$ 29,992</u>		line 7 - line 8
10				
11	Yellow Pages Directory Advertizing Expense			
12	Expense per Staff	\$ 10,157		FC Ex. 1.0, Sch. 1.11, p. 1, line 4
13	Expense per Company	-		
14	Adjustment	<u>\$ 10,157</u>		line 12 - line 13
15				
16				
17				
18				
19				
20				
21	Funding Difference--FTHCF Support			
22	2001 Annualized FTHCF Support	\$ 754,872		Schedule 7.20, column d
23	2000 Total FTHCF Support	682,680		Schedule 7.20, column c
24	Funding Difference	\$ 72,192		line 22 - line 23
25	Reverse Adjustment for "New" USAC Support Revenue	<u>79,759</u>		FC Ex. 1.0, Sch. 1.10, p. 2, column i
26	Adjustment	<u>\$ (7,567)</u>		line 24 - line 25
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Frontier Communications-Prairie, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 1,263,850		\$ 1,263,850	
2	Materials and Supplies Inventory	-		-	
3	Customer Deposits	-	-	-	
4	ADIT - Regulated Plant	42,697	-	42,697	
5	Rate Base before Working Capital	1,221,153	-	1,221,153	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	282,942	(955)	281,987	
8	Less: Depreciation Expense	128,301	(2,665)	125,636	
9	Total WC Operating Expense	154,641	1,710	156,351	line 7 - line 8
10	WC OE Requirement	19,330	214	19,544	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	839,187	(839,187)	-	page 2, line 4
12	Total Working Capital Requirement	858,517	(838,973)	19,544	line 10 + line 11
13	Total Rate Base	2,079,670	(838,973)	1,240,697	line 5 + line 12
14	Total Operating Revenues	595,226	(4,476)	590,750	
15	Less: Illinois High Cost Fund	113,592	-	113,592	
16	Net Operating Revenues	481,634	(4,476)	477,158	line 14 - line 15
17	Total Operating Expenses	282,942	(955)	281,987	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	5,585	-	5,585	
20	Net Op Inc before Income Taxes	193,107	(3,521)	189,586	line 16 - lines 17, 18, & 19
21	Income Tax Expense	76,600	(1,397)	75,203	line 34
22	Net Operating Income	116,507	(2,124)	114,383	line 20 - line 21
23	Return on Rate Base	5.60%		9.22%	line 22 / line 13
24	After-tax Cost of Capital	10.45%	10.45%	10.45%	
25	Target Net Operating Income	217,326	(87,673)	129,653	line 24 * line 13
26	Adj to Achieve Target Return on RB	100,819	(85,549)	15,270	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	line 35
28	Staff ROR Deficiency	167,107	(141,797)	25,310	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	193,107	(3,521)	189,586	line 20
31	Illinois Inc & Rep Tax Expense	13,865	(253)	13,612	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	179,242	(3,268)	175,974	line 30 - line 31
33	Federal Income Tax Expense	62,735	(1,144)	61,591	line 32 * 35.00%
34	Total Imputed Income Tax Expense	76,600	(1,397)	75,203	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	1 / ((1 - .0718) * (1 - .35))

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Frontier Communications-Prairie, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>		<u>Source</u>
	(a)	(b)	(c)	(d)
1	Commission-Ordered Cash Balance Requirement			
2	Cash Balance Requirement per Staff	\$ -		
3	Cash Balance Requirement per Company	839,187		FC Ex. 1.0, Sch 1.09, line 3
4	Adjustment	<u>\$ (839,187)</u>		line 2 - line 3
5				
6	Yellow Pages Directory Advertizing Revenue			
7	Revenue per Staff	\$ 2,388		FC Ex. 1.0, Sch. 1.10, p. 1, line 4
8	Revenue per Company	-		
9	Adjustment	<u>\$ 2,388</u>		line 7 - line 8
10				
11	Yellow Pages Directory Advertizing Expense			
12	Expense per Staff	\$ 1,710		FC Ex. 1.0, Sch. 1.11, p. 1, line 4
13	Expense per Company	-		
14	Adjustment	<u>\$ 1,710</u>		line 12 - line 13
15				
16	Correction of Depreciation Expense Adjustment			
17	Depreciation Expense per Staff	\$ 21,413		ICC Staff Ex. 7.0, Sch. 7.21, line 12
18	Depreciation Expense per Company	24,078		FC Ex. 1.0, Sch. 1.11, p. 2, line 3
19	Adjustment	<u>\$ (2,665)</u>		line 17 - line 18
20				
21	Funding Difference--FTHCF Support			
22	2001 Annualized FTHCF Support	\$ 23,700		Schedule 7.20, column d
23	2000 Total FTHCF Support	30,564		Schedule 7.20, column c
24	Funding Difference	<u>\$ (6,864)</u>		line 22 - line 23
25	Reverse Adjustment for "New" USAC Support Revenue	-		FC Ex. 1.0, Sch. 1.10, p. 2, column i
26	Adjustment	<u>\$ (6,864)</u>		line 24 - line 25
27				
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ICC Staff Exhibit 7.0, Schedule 7.14

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Frontier Communications-Schuyler, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company</u> <u>Amount</u>	<u>Staff</u> <u>Adjustment</u>	<u>Staff Adjusted</u> <u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 4,650,688		\$ 4,650,688	
2	Materials and Supplies Inventory	-		-	
3	Customer Deposits	-	-	-	
4	ADIT - Regulated Plant	32,343	-	32,343	
5	Rate Base before Working Capital	4,618,345	-	4,618,345	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	1,316,437	42,945	1,359,382	
8	Less: Depreciation Expense	278,383		278,383	
9	Total WC Operating Expense	1,038,054	42,945	1,080,999	line 7 - line 8
10	WC OE Requirement	129,757	5,368	135,125	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	599,109	(599,109)	-	page 2, line 4
12	Total Working Capital Requirement	728,866	(593,741)	135,125	line 10 + line 11
13	Total Rate Base	5,347,211	(593,741)	4,753,470	line 5 + line 12
14	Total Operating Revenues	2,057,200	303,418	2,360,618	
15	Less: Illinois High Cost Fund	245,457	-	245,457	
16	Net Operating Revenues	1,811,743	303,418	2,115,161	line 14 - line 15
17	Total Operating Expenses	1,316,437	42,945	1,359,382	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	42,652	-	42,652	
20	Net Op Inc before Income Taxes	452,654	260,473	713,127	line 16 - lines 17, 18, & 19
21	Income Tax Expense	179,555	103,322	282,876	line 34
22	Net Operating Income	273,099	157,151	430,251	line 20 - line 21
23	Return on Rate Base	5.11%		9.05%	line 22 / line 13
24	After-tax Cost of Capital	10.45%	10.45%	10.45%	
25	Target Net Operating Income	558,784	(62,046)	496,738	line 24 * line 13
26	Adj to Achieve Target Return on RB	285,685	(219,197)	66,487	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	line 35
28	Staff ROR Deficiency	473,523	(363,319)	110,202	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	452,654	260,473	713,127	line 20
31	Illinois Inc & Rep Tax Expense	32,501	18,702	51,203	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	420,153	241,771	661,924	line 30 - line 31
33	Federal Income Tax Expense	147,054	84,620	231,673	line 32 * 35.00%
34	Total Imputed Income Tax Expense	179,555	103,322	282,876	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6575	1.6575	1.6575	1 / ((1 - .0718) * (1 - .35))

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Frontier Communications-Schuyler, Inc.
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>		<u>Source</u>
	(a)	(b)	(c)	(d)
1	Commission-Ordered Cash Balance Requirement			
2	Cash Balance Requirement per Staff	\$ -		
3	Cash Balance Requirement per Company	599,109		FC Ex. 1.0, Sch 1.09, line 3
4	Adjustment	<u>\$ (599,109)</u>		line 2 - line 3
5				
6	Yellow Pages Directory Advertizing Revenue			
7	Revenue per Staff	\$ 116,002		FC Ex. 1.0, Sch. 1.10, p. 1, line 4
8	Revenue per Company	-		
9	Adjustment	<u>\$ 116,002</u>		line 7 - line 8
10				
11	Yellow Pages Directory Advertizing Expense			
12	Expense per Staff	\$ 42,945		FC Ex. 1.0, Sch. 1.11, p. 1, line 4
13	Expense per Company	-		
14	Adjustment	<u>\$ 42,945</u>		line 12 - line 13
15				
16				
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18				
19				
20				
21	Funding Difference--FTHCF Support			
22	2001 Annualized FTHCF Support	\$ 348,312		Schedule 7.20, column d
23	2000 Total FTHCF Support	160,896		Schedule 7.20, column c
24	Funding Difference	<u>\$ 187,416</u>		line 22 - line 23
25	Reverse Adjustment for "New" USAC Support Revenue	-		FC Ex. 1.0, Sch. 1.10, p. 2, column i
26	Adjustment	<u>\$ 187,416</u>		line 24 - line 25
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Flat Rock Telephone Co-Op
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

Line #	Description	Company Amount	Staff Adjustment	Staff Adjusted Amount	Source
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 567,890		\$ 567,890	
2	Materials and Supplies Inventory	47,424	-	47,424	
3	Customer Deposits	1,800	-	1,800	
4	ADIT - Regulated Plant	-	-	-	
5	Rate Base before Working Capital	613,514	-	613,514	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	490,104	-	490,104	
8	Less: Depreciation Expense	169,696		169,696	
9	Total WC Operating Expense	320,408	-	320,408	line 7 - line 8
10	WC OE Requirement	40,051	-	40,051	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Requirement	-	-	-	
12	Total Working Capital Requirement	40,051	-	40,051	line 10 + line 11
13	Total Rate Base	653,565	-	653,565	line 5 + line 12
14	Total Operating Revenues	585,529	29,304	614,833	
15	Less: Illinois High Cost Fund	123,869	-	123,869	
16	Net Operating Revenues	461,660	29,304	490,964	line 14 - line 15
17	Total Operating Expenses	490,104	-	490,104	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	-	-	-	
20	Net Op Inc before Income Taxes	(28,444)	29,304	860	line 16 - lines 17, 18, & 19
21	Income Tax Expense	-	-	-	line 34
22	Net Operating Income	(28,444)	29,304	860	line 20 - line 21
23	Return on Rate Base	-4.35%		0.13%	line 22 / line 13
24	After-tax Cost of Capital	12.60%	12.60%	12.60%	
25	Target Net Operating Income	82,349	-	82,349	line 24 * line 13
26	Adj to Achieve Target Return on RB	110,793	(29,304)	81,489	line 25 - line 22
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	line 35
28	Staff ROR Deficiency	110,793	(29,304)	81,489	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	(28,444)	29,304	860	line 20
31	Illinois Inc & Rep Tax Expense	-	-	-	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	(28,444)	29,304	860	line 30 - line 31
33	Federal Income Tax Expense	-	-	-	line 32 * 34.00%
34	Total Imputed Income Tax Expense	-	-	-	line 31 + line 33
35	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	1 / ((1 - .0718) * (1 - .34))

Flat Rock Telephone Co-Op
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 123,684			Schedule 7.20, column d
3	2000 Total FTHCF Support	<u>94,380</u>			Schedule 7.20, column c
4	Adjustment	<u>\$ 29,304</u>			line 1 - line 2
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Glasford Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Deficiency

<u>Line #</u>	<u>Description</u>	<u>Company</u> <u>Amount</u>	<u>Staff</u> <u>Adjustment</u>	<u>Staff Adjusted</u> <u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 1,180,439		\$ 1,180,439	
2	Materials and Supplies Inventory	9,593		9,593	
3	Customer Deposits	12,730	-	12,730	
4	ADIT - Regulated Plant	-	-	-	
5	Rate Base before Working Capital	1,177,302	-	1,177,302	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	596,564	-	596,564	
8	Less: Depreciation Expense	130,131	-	130,131	
9	Total WC Operating Expense	466,433	-	466,433	line 7 - line 8
10	WC OE Requirement	58,304	-	58,304	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	58,304	-	58,304	line 10 + line 11
13	Total Rate Base	1,235,606	-	1,235,606	line 5 + line 12
14	Total Operating Revenues	748,392	6,015	754,407	
15	Less: Illinois High Cost Fund	11,196	-	11,196	
16	Net Operating Revenues	737,196	6,015	743,211	line 14 - line 15
17	Total Operating Expenses	596,564		596,564	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	4,329	-	4,329	
20	Net Op Inc before Income Taxes	136,303	6,015	142,318	line 16 - lines 17, 18, & 19
21	Income Tax Expense	-	-	-	line 34
22	Net Operating Income	136,303	6,015	142,318	line 20 - line 21
23	Return on Rate Base	11.03%		11.52%	line 22 / line 13
24	After-tax Cost of Capital	12.60%	12.60%	12.60%	
25	Target Net Operating Income	155,686	-	155,686	line 24 * line 13
26	Adj to Achieve Target Return on RB	19,383	(6,015)	13,368	line 25 - line 22
27	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	line 35
28	Staff ROR Deficiency	19,383	(6,015)	13,368	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	136,303	6,015	142,318	line 20
31	Illinois Inc & Rep Tax Expense	-	-	-	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	136,303	6,015	142,318	line 30 - line 31
33	Federal Income Tax Expense	-	-	-	line 32 * 34.00%
34	Total Imputed Income Tax Expense	-	-	-	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	1 / ((1 - .0718) * (1 - .34))

Glasford Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Deficiency

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 125,364			Schedule 7.20, column d
3	2000 Total FTHCF Support	119,349			Schedule 7.20, column c
4	Adjustment	<u>\$ 6,015</u>			line 1 - line 2
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Grafton Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 2,448,718		\$ 2,448,718	
2	Materials and Supplies Inventory	48,525		48,525	
3	Customer Deposits	1,314	-	1,314	
4	ADIT - Regulated Plant	<u>(56,849)</u>		<u>(56,849)</u>	
5	Rate Base before Working Capital	2,552,778	-	2,552,778	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	906,379	-	906,379	
8	Less: Depreciation Expense	<u>287,257</u>		<u>287,257</u>	
9	Total WC Operating Expense	<u>619,122</u>	-	<u>619,122</u>	line 7 - line 8
10	WC OE Requirement	77,390	-	77,390	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	<u>77,390</u>	-	<u>77,390</u>	line 10 + line 11
13	Total Rate Base	<u>2,630,168</u>	-	<u>2,630,168</u>	line 5 + line 12
14	Total Operating Revenues	1,384,041	25,113	1,409,154	
15	Less: Illinois High Cost Fund	<u>208,440</u>	-	<u>208,440</u>	
16	Net Operating Revenues	1,175,601	25,113	1,200,714	line 14 - line 15
17	Total Operating Expenses	906,379		906,379	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	<u>11,370</u>	-	<u>11,370</u>	
20	Net Op Inc before Income Taxes	257,852	25,113	282,965	line 16 - lines 17, 18, & 19
21	Income Tax Expense	<u>99,889</u>	<u>9,728</u>	<u>109,617</u>	line 34
22	Net Operating Income	<u>157,963</u>	<u>15,385</u>	<u>173,348</u>	line 20 - line 21
23	Return on Rate Base	<u>6.01%</u>		<u>6.59%</u>	line 22 / line 13
24	After-tax Cost of Capital	<u>11.21%</u>	<u>11.21%</u>	<u>11.21%</u>	
25	Target Net Operating Income	<u>294,842</u>	-	<u>294,842</u>	line 24 * line 13
26	Adj to Achieve Target Return on RB	136,879	(15,385)	121,494	line 25 - line 22
27	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	line 35
28	Staff ROR Deficiency	<u>223,441</u>	<u>(25,114)</u>	<u>198,327</u>	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	257,852	25,113	282,965	line 20
31	Illinois Inc & Rep Tax Expense	<u>18,514</u>	<u>1,803</u>	<u>20,317</u>	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	239,338	23,310	262,648	line 30 - line 31
33	Federal Income Tax Expense	<u>81,375</u>	<u>7,925</u>	<u>89,300</u>	line 32 * 34.00%
34	Total Imputed Income Tax Expense	<u>99,889</u>	<u>9,728</u>	<u>109,617</u>	line 31 + line 33
35	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	1 / ((1 - .0718) * (1 - .34))

Grafton Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 388,956			Schedule 7.20, column d
3	2000 Total FTHCF Support	363,843			Schedule 7.20, column c
4	Adjustment	<u>\$ 25,113</u>			line 1 - line 2
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Gridley Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 2,270,734		\$ 2,270,734	
2	Materials and Supplies Inventory	56,712		56,712	
3	Customer Deposits	1,357	-	1,357	
4	ADIT - Regulated Plant	-		-	
5	Rate Base before Working Capital	2,326,089	-	2,326,089	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	2,160,506		2,160,506	
8	Less: Depreciation Expense	601,265	-	601,265	
9	Total WC Operating Expense	1,559,241	-	1,559,241	line 7 - line 8
10	WC OE Requirement	194,905	-	194,905	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	194,905	-	194,905	line 10 + line 11
13	Total Rate Base	2,520,994	-	2,520,994	line 5 + line 12
14	Total Operating Revenues	2,596,693	318,693	2,915,386	
15	Less: Illinois High Cost Fund	586,344	-	586,344	
16	Net Operating Revenues	2,010,349	318,693	2,329,042	line 14 - line 15
17	Total Operating Expenses	2,160,506	-	2,160,506	
18	Other Operating Inc and Exp - Net	-	-	-	
19	Other Operating Taxes	11,472	-	11,472	
20	Net Op Inc before Income Taxes	(161,629)	318,693	157,064	line 16 - lines 17, 18, & 19
21	Income Tax Expense	(62,613)	123,458	60,845	line 34
22	Net Operating Income	(99,016)	195,235	96,219	line 20 - line 21
23	Return on Rate Base	-3.93%		3.82%	line 22 / line 13
24	After-tax Cost of Capital	11.21%	11.21%	11.21%	
25	Target Net Operating Income	282,603	-	282,603	line 24 * line 13
26	Adj to Achieve Target Return on RB	381,619	(195,235)	186,384	line 25 - line 22
27	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	line 35
28	Staff ROR Deficiency	622,955	(318,702)	304,253	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	(161,629)	318,693	157,064	line 20
31	Illinois Inc & Rep Tax Expense	(11,605)	22,882	11,277	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	(150,024)	295,811	145,787	line 30 - line 31
33	Federal Income Tax Expense	(51,008)	100,576	49,568	line 32 * 34.00%
34	Total Imputed Income Tax Expense	(62,613)	123,458	60,845	line 31 + line 33
35	Gross Revenue Conversion Factor	1.6324	1.6324	1.6324	1 / ((1 - .0718) * (1 - .34))

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Gridley Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 516,816			Schedule 7.20, column d
3	2000 Total FTHCF Support	464,886			Schedule 7.20, column c
4	Funding Difference	<u>\$ 51,930</u>			line 1 - line 2
	Reverse Gridley Adjustment for Federal				
5	High Cost Loop Funding	<u>30,681</u>			Gridley Ex. 1.0, p. 8
6	Adjustment	<u>\$ 21,249</u>			line 4 - line 5
7					
8	Access Revenues Adjustment				
	Adjustment to Special Access Revenues				
9	per Staff	\$ -			ICC Staff Ex. 14.0, Sch. 14.01
	Adjustment to Special Access Revenues				Gridley Exhibit 2, Sch. 2.01,
10	per Company	<u>(297,444)</u>			line 28, col. 7
11	Adjustment	<u>\$ 297,444</u>			line 8 - line 10
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Harrisonville Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Company Amount</u>	<u>Staff Adjustment</u>	<u>Staff Adjusted Amount</u>	<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Net Regulated Plant	\$ 33,654,455		\$ 33,654,455	
2	Materials and Supplies Inventory	493,263		493,263	
3	Customer Deposits	49,153	-	49,153	
4	ADIT - Regulated Plant	<u>3,164,723</u>	-	<u>3,164,723</u>	
5	Rate Base before Working Capital	30,933,842	-	30,933,842	line 1 + line 2 - line 3 - line 4
6	Working Capital Requirement				
7	Total Operating Expenses	10,536,404	-	10,536,404	
8	Less: Depreciation Expense	<u>3,175,448</u>		<u>3,175,448</u>	
9	Total WC Operating Expense	<u>7,360,956</u>	-	<u>7,360,956</u>	line 7 - line 8
10	WC OE Requirement	920,120	-	920,120	line 9 * 45 / 360
11	Commission-Ordered Cash Balance Require	-	-	-	
12	Total Working Capital Requirement	<u>920,120</u>	-	<u>920,120</u>	line 10 + line 11
13	Total Rate Base	<u>31,853,962</u>	-	<u>31,853,962</u>	line 5 + line 12
14	Total Operating Revenues	16,465,073	(26,171)	16,438,902	
15	Less: Illinois High Cost Fund	<u>1,063,557</u>	-	<u>1,063,557</u>	
16	Net Operating Revenues	15,401,516	(26,171)	15,375,345	line 14 - line 15
17	Total Operating Expenses	10,536,404	-	10,536,404	
18	Other Operating Inc and Exp - Net	3,583	-	3,583	
19	Other Operating Taxes	<u>97,169</u>	-	<u>97,169</u>	
20	Net Op Inc before Income Taxes	4,764,360	(26,171)	4,738,189	line 16 - lines 17, 18, & 19
21	Income Tax Expense	<u>1,845,656</u>	(10,138)	<u>1,835,518</u>	line 34
22	Net Operating Income	<u>2,918,704</u>	(16,033)	<u>2,902,671</u>	line 20 - line 21
23	Return on Rate Base	<u>9.16%</u>		<u>9.11%</u>	line 22 / line 13
24	After-tax Cost of Capital	<u>11.21%</u>	<u>11.21%</u>	<u>11.21%</u>	
25	Target Net Operating Income	<u>3,570,829</u>	-	<u>3,570,829</u>	line 24 * line 13
26	Adj to Achieve Target Return on RB	652,125	16,033	668,158	line 25 - line 22
27	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	line 35
28	Staff ROR Deficiency	<u>1,064,529</u>	<u>26,172</u>	<u>1,090,701</u>	line 26 * line 27
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	4,764,360	(26,171)	4,738,189	line 20
31	Illinois Inc & Rep Tax Expense	<u>342,081</u>	(1,879)	<u>340,202</u>	line 30 * 7.18%
32	Net Op Inc before Fed Inc Tax	4,422,279	(24,292)	4,397,987	line 30 - line 31
33	Federal Income Tax Expense	<u>1,503,575</u>	(8,259)	<u>1,495,316</u>	line 32 * 34.00%
34	Total Imputed Income Tax Expense	<u>1,845,656</u>	(10,138)	<u>1,835,518</u>	line 31 + line 33
35	Gross Revenue Conversion Factor	<u>1.6324</u>	<u>1.6324</u>	<u>1.6324</u>	1 / ((1 - .0718) * (1 - .34))

Harrisonville Telephone Company
Illinois Universal Service Funding Calculation
Staff Calculated Funding Requirement

<u>Line #</u>	<u>Description</u>	<u>Amount</u>			<u>Source</u>
	(a)	(b)	(c)	(d)	(e)
1	Funding Difference--FTHCF Support				
2	2001 Annualized FTHCF Support	\$ 3,461,754			Schedule 7.20, column d
3	2000 Total FTHCF Support	3,447,504			Schedule 7.20, column c
4	Funding Difference	<u>\$ 14,250</u>			line 1 - line 2
	Reverse Harrisonville Adjustment for				
5	Federal High Cost Loop Funding	356,838			Harrisonville Ex. 2, Sch. 2.02
	Reverse Harrisonville Adjustment for				
6	Federal Local Switching Support Funding	<u>(316,417)</u>			Harrisonville Ex. 2, Sch. 2.03
7	Adjustment	<u>\$ (26,171)</u>			line 4 - line 5 - line 6
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IUSF Requesting Companies
Comparison of Federal Total High Cost Fund Support
For the Years 2000 and 2001

<u>Line#</u>	<u>Company</u>	<u>Schedule #</u>	<u>2000 Total</u>	<u>2001 Annualized</u>	<u>Funding Difference</u>
	(a)	(b)	(c)	(d)	(e)=(d)-(c)
1	ADAMS TEL COOP	7.01	\$ 707,937	\$ 786,762	\$ 78,825
2	ALHAMBRA-GRANTFORK	7.02	217,851	216,414	(1,437)
3	CAMBRIDGE TEL CO -IL	7.03	202,740	197,166	(5,574)
4	CASS COUNTY TEL CO	7.04	472,518	571,368	98,850
5	C-R TEL CO	7.05	780,375	788,478	8,103
6	CROSSVILLE TEL CO	7.06	98,910	108,420	9,510
7	EGYPTIAN COOP ASSN	7.07	1,424,250	1,296,924	(127,326)
8	EL PASO TEL CO	7.08	409,269	373,044	(36,225)
9	FRONTIER-DEPUE	7.09	99,285	107,316	8,031
10	FRONTIER OF ILLINOIS	7.10	396,108	542,178	146,070
11	FRONTIER OF LAKESIDE	7.11	61,944	68,760	6,816
12	FRONTIER-MIDLAND	7.12	682,680	754,872	72,192
13	FRONTIER-PRAIRIE	7.13	30,564	23,700	(6,864)
14	FRONTIER-SCHUYLER	7.14	160,896	348,312	187,416
15	FLAT ROCK TEL CO-OP	7.15	94,380	123,684	29,304
16	GLASFORD TEL CO	7.16	119,349	125,364	6,015
17	GRAFTON TEL CO	7.17	363,843	388,956	25,113
18	GRIDLEY TEL CO	7.18	464,886	516,816	51,930
19	HARRISONVILLE TEL CO	7.19	3,447,504	3,461,754	14,250
20	HENRY COUNTY TEL CO	6.01	183,162	190,380	7,218
21	HOME TEL CO-ST JACOB	6.02	1,045,440	1,163,034	117,594
22	LA HARPE TEL CO	6.03	590,502	677,874	87,372
23	LEAF RIVER TEL CO	6.04	557,178	501,444	(55,734)
24	MADISON TEL CO	6.05	1,546,491	1,762,854	216,363
25	MCDONOUGH TEL COOP	6.06	609,897	766,758	156,861
26	MCNABB TEL CO	6.07	173,430	178,026	4,596
27	METAMORA TEL CO	6.08	409,548	393,048	(16,500)
28	MID CENTURY TEL COOP	6.09	664,125	777,192	113,067
29	MONTROSE MUTUAL TEL	6.10	164,550	175,704	11,154
30	MOULTRIE INDEPENDENT	6.11	869,070	753,954	(115,116)
31	NEW WINDSOR TEL CO	6.12	85,584	94,806	9,222
32	ODIN TEL EXCH INC	6.13	717,918	673,194	(44,724)
33	ONEIDA TEL EXCHANGE	6.14	84,708	128,028	43,320
34	REYNOLDS TEL CO, INC	6.15	83,088	98,838	15,750
35	SHAWNEE TELEPHONE CO	6.16	695,880	995,844	299,964
36	TONICA TEL CO	6.17	74,058	80,124	6,066
37	VIOLA HOME TEL CO	6.18	97,356	109,464	12,108
38	WABASH TEL COOP, INC	6.19	405,996	405,984	(12)
39	WOODHULL COMMUNITY	6.20	158,388	163,950	5,562
40	Totals		<u>\$ 19,451,658</u>	<u>\$ 20,890,788</u>	<u>\$ 1,439,130</u>

IUSF Requesting Companies
Comparison of Federal Total High Cost Fund Support
For the Years 2000 and 2001

Line#	Company	2000-1Q	2000-2Q	2000-3Q	2000-4Q	2000 Total	2001-1Q	2001-2Q	6-Month Total	2001 Annualized
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	ADAMS TEL COOP	\$ 181,659	\$ 180,825	\$ 172,518	\$ 172,935	\$ 707,937	\$ 196,674	\$ 196,707	\$ 393,381	\$ 786,762
2	ALHAMBRA-GRANTFORK	54,732	54,495	54,351	54,273	217,851	54,099	54,108	108,207	216,414
3	CAMBRIDGE TEL CO -IL	51,165	50,826	50,307	50,442	202,740	49,284	49,299	98,583	197,166
4	CASS COUNTY TEL CO	118,800	118,212	117,852	117,654	472,518	143,862	141,822	285,684	571,368
5	C-R TEL CO	195,336	195,123	194,994	194,922	780,375	197,115	197,124	394,239	788,478
6	CROSSVILLE TEL CO	25,122	24,993	24,369	24,426	98,910	27,102	27,108	54,210	108,420
7	EGYPTIAN COOP ASSN	356,868	356,163	355,728	355,491	1,424,250	329,424	319,038	648,462	1,296,924
8	EL PASO TEL CO	99,438	103,479	103,242	103,110	409,269	93,252	93,270	186,522	373,044
9	FRONTIER-DEPUE	25,170	25,026	24,513	24,576	99,285	26,826	26,832	53,658	107,316
10	FRONTIER OF ILLINOIS	100,128	99,162	98,571	98,247	396,108	135,525	135,564	271,089	542,178
11	FRONTIER OF LAKESIDE	15,486	15,486	15,486	15,486	61,944	17,190	17,190	34,380	68,760
12	FRONTIER-MIDLAND	171,678	170,793	170,253	169,956	682,680	188,700	188,736	377,436	754,872
13	FRONTIER-PRAIRIE	7,641	7,641	7,641	7,641	30,564	5,925	5,925	11,850	23,700
14	FRONTIER-SCHUYLER	40,224	40,224	40,224	40,224	160,896	87,066	87,090	174,156	348,312
15	FLAT ROCK TEL CO-OP	23,595	23,595	23,595	23,595	94,380	31,086	30,756	61,842	123,684
16	GLASFORD TEL CO	29,727	29,727	29,907	29,988	119,349	31,341	31,341	62,682	125,364
17	GRAFTON TEL CO	91,173	90,987	90,873	90,810	363,843	97,236	97,242	194,478	388,956
18	GRIDLEY TEL CO	116,544	116,262	116,088	115,992	464,886	129,198	129,210	258,408	516,816
19	HARRISONVILLE TEL CO	873,426	860,160	857,649	856,269	3,447,504	865,350	865,527	1,730,877	3,461,754
20	HENRY COUNTY TEL CO	46,485	46,197	45,177	45,303	183,162	47,589	47,601	95,190	190,380
21	HOME TEL CO-ST JACOB	261,615	261,390	261,255	261,180	1,045,440	290,754	290,763	581,517	1,163,034
22	LA HARPE TEL CO	147,903	147,660	147,510	147,429	590,502	169,464	169,473	338,937	677,874
23	LEAF RIVER TEL CO	139,452	139,314	139,230	139,182	557,178	125,358	125,364	250,722	501,444
24	MADISON TEL CO	387,009	386,670	386,463	386,349	1,546,491	440,706	440,721	881,427	1,762,854
25	MCDONOUGH TEL COOP	156,987	156,147	148,176	148,587	609,897	189,606	193,773	383,379	766,758
26	MCNABB TEL CO	43,464	43,377	43,311	43,278	173,430	44,505	44,508	89,013	178,026
27	METAMORA TEL CO	102,387	102,387	102,387	102,387	409,548	98,262	98,262	196,524	393,048
28	MID CENTURY TEL COOP	170,805	169,938	161,478	161,904	664,125	194,280	194,316	388,596	777,192
29	MONTROSE MUTUAL TEL	41,481	41,181	40,995	40,893	164,550	43,926	43,926	87,852	175,704
30	MOULTRIE INDEPENDENT	217,467	217,293	217,185	217,125	869,070	188,484	188,493	376,977	753,954
31	NEW WINDSOR TEL CO	21,807	21,693	21,015	21,069	85,584	23,700	23,703	47,403	94,806
32	ODIN TEL EXCH INC	179,778	179,517	179,355	179,268	717,918	168,294	168,303	336,597	673,194
33	ONEIDA TEL EXCHANGE	21,177	21,177	21,177	21,177	84,708	32,007	32,007	64,014	128,028
34	REYNOLDS TEL CO, INC	21,189	21,087	20,382	20,430	83,088	24,708	24,711	49,419	98,838
35	SHAWNEE TELEPHONE CO	143,775	184,443	183,963	183,699	695,880	250,194	247,728	497,922	995,844
36	TONICA TEL CO	18,933	18,831	18,123	18,171	74,058	20,028	20,034	40,062	80,124
37	VIOLA HOME TEL CO	24,672	24,525	24,048	24,111	97,356	27,363	27,369	54,732	109,464
38	WABASH TEL COOP, INC	101,499	101,499	101,499	101,499	405,996	101,496	101,496	202,992	405,984
39	WOODHULL COMMUNITY	39,597	39,597	39,597	39,597	158,388	41,298	40,677	81,975	163,950
40	Totals	\$ 4,865,394	\$ 4,887,102	\$ 4,850,487	\$ 4,848,675	\$ 19,451,658	\$ 5,228,277	\$ 5,217,117	\$ 10,445,394	\$ 20,890,788

Frontier Companies
Calculation of Depreciation Expense Adjustment
For the 2001 Capital Budget and the 2002 Extraordinary Expenditures

<u>Line#</u>	<u>Description</u> (a)	<u>Source</u> (b)	<u>FC of DePue</u> (c)	<u>FC of Illinois</u> (d)	<u>FC of Lakeside</u> (e)	<u>FC-Midland</u> (f)	<u>FC-Prairie</u> (g)	<u>FC-Schuyler</u> (h)
1								
2	2001 Capital Budget	FC Ex. 1.0, Sch. 1.11, p. 2	\$ 167,335	\$ 1,433,764	\$ 257,886	\$ 980,039	\$ 104,915	\$ 599,109
3	2002 Extraordinary Expenditures	FC Ex. 1.0, Sch. 1.11, p. 2	367,136	3,325,680			734,272	
4								
5	Company calculated depreciation expense for the 2001 Capital Budget (half year assumed)	FC Ex. 1.0, Sch. 1.11, p. 2, line 1	\$ 4,907	\$ 36,327	\$ 5,784	\$ 22,406	\$ 2,677	\$ 10,291
6								
7	Composite half-year depreciation rate	line 6 / line 2	<u>0.029324</u>	<u>0.025337</u>	<u>0.022429</u>	<u>0.022862</u>	<u>0.025516</u>	<u>0.017177</u>
8								
9	expense for the 2002 Extraordinary Expenditures (half year assumed)	line 3 * line 8	\$ <u>10,766</u>	\$ <u>84,263</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,736</u>	\$ <u>-</u>
10								
11	Start Depreciation Expense	line 6 + line 10	<u>15,673</u>	<u>120,590</u>	<u>5,784</u>	<u>22,406</u>	<u>21,413</u>	<u>10,291</u>
12								